

ZF MGCAWU DISTRICT MUNICIPALITY



2013/2014

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2014

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

INDEX

NO	CONTENTS	PAGE
1	General Information and Approval of Annual Financial Statements	3
2	Members of the Council	5
3	Foreword	7
4	Audit Report	8
5	Report of the Chief Financial Officer	11
6	Statement of Financial Position	16
7	Statement of Financial Performance	17
8	Statement of Changes in Net Assets	18
9	Cash Flow Statement	19
10	Statement of Comparison of Budget and Actual Amounts	20
11	Accounting Policies	35
12	Notes to the Annual Financial Statements	59
Appendixes:		
13	A Schedule of External Loans	101
14	B Analysis of Property, Plant and Equipment	102
15	C Segmental Analysis of Capital Assets	103
16	D Segmental Statement of Financial Performance	104
17	E (1) Reconciliation of budgeted financial performance by standard classification	105
18	E (2) Reconciliation of budgeted financial performance by municipal vote	106

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

INDEX (continued)

NO	CONTENTS	PAGE
19	E (3) Reconciliation of budgeted financial performance	107
20	E (4) Reconciliation of budgeted capital expenditure	108
21	E (5) Reconciliation of budgeted cash flows	109
22	F Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	110
23	G Statement of Remuneration of Management	111
24	H Ratio Analysis	113

ZF MGCAWU DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014

GENERAL INFORMATION

EXECUTIVE MAYOR

G. van Staden

SPEAKER

Z.S. Mjila

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor: G. van Staden

Councillors: B. Sinxeve
P. Wetbooi
P.M.Mgcera
G.H. Mothibi

GRADING OF THE LOCAL AUTHORITY

Grade 3

AUDITORS

External – Auditor General (Kimberley Business Unit)
Internal – Internal Unit

PRIMARY BANKER

ABSA

REGISTERED OFFICE

c/o Upington 26 Avenue & Dr Nelson Mandela Drive
Upington
8801

Private Bag X6039
Upington
8800

Telephone: (054) 337 2800
Facsimile: (054) 337 2888

E-Mail: admin@zfm-dm.gov.za
Website: <http://www.zfm-dm.co.za>

MUNICIPAL MANAGER

E. Ntoba

CHIEF FINANCIAL OFFICER

P. Beukes

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 115, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information on 27 August 2014.



E Ntoba
MUNICIPAL MANAGER
27 August 2014

P Beukes
CHIEF FINANCIAL OFFICER
27 August 2014

ZF MGCAWU DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014

MEMBERS OF THE COUNCIL

COUNCILLORS

PROPORTIONAL COUNCILLORS

G. Van Staden	ANC	Commencement: 03/06/2011
Z.S. Mjila	ANC	Commencement: 03/06/2011
B. Sinxeve	ANC	Commencement: 03/06/2011
G. H. Mothibi	ANC	Commencement: 03/06/2011
S. Esau	ANC	Withdrawn by IEC: 03/06/2011 – 20/08/2013
P.M. Mgcera	ANC	Commencement: 03/06/2011
D.L. De Wee	COPE	Withdrawn by IEC: 03/06/2011 – 15/05/2014
C. Tieties	DA	Commencement: 03/06/2011
P.M. Kotze	DA	Commencement: 03/06/2011
P. Wetbooi	ANC	Commencement: 03/06/2011
K. Dodds	ANC	Commencement: 03/06/2011
M. Oliphant	ANC	Commencement: 03/06/2011
M. Mabilo	TCF	Commencement: 03/06/2011
J. Assegai	DA	Commencement: 03/06/2011
D.Z Ntlanganiso	ANC	Commencement: 01/02/2013
S.P. May	ANC	Commencement: 03/06/2011
E. Mnyaka	ANC	Commencement: 03/06/2011
J. Thomas	COPE	Commencement: 01/07/2012
A. De Bruin	DA	Commencement: 03/06/2011
A. Isaacs	ANC	Commencement: 03/06/2011
B. Bock	ANC	Commencement: 03/06/2011
J. Joseph	DA	Commencement: 20/08/2013

ZF MGCWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 37281 dated 29/01/2014. This read with the Remuneration of Public Officer Bearers Act, Circular 40/2012 dated 10/12/2012 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.



E. Ntoba
MUNICIPAL MANAGER
27 August 2014

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

FOREWORD

During the 2013/14 financial year the Municipality was under severe pressure to ensure compliance to various changes in legislation and continue with implementation of Generally Recognised Accounting Practice (GRAP) standards. The Municipality was however able to meet the challenges set by a changing legislative and accounting environment.

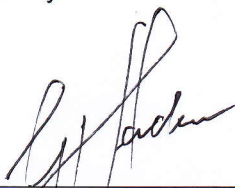
The District Municipality, as part of improving service delivery to the community, implemented proper communication channels through the local municipalities that have the Ward Committee and Community Development Workers systems at their disposal.

Although capital projects were limited to those financed from external grant funding the Municipality has successfully implemented the projects identified in the Integrated Development Plan / Budget for 2013/14 financial year. The Municipality will continue in the 2014/15 financial year to implement uncompleted projects for the previous financial year and those projects identified in the IDP / Budget for the current year.

Service delivery and the eradication of infrastructure backlogs remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of our people.

I hereby wish to thank the members of the Mayoral Committee and Council together with staff for their commitment during the year, ensuring that we meet the set targets for the year.

I thank you.



G. van Staden
EXECUTIVE MAYOR
27 August 2014

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of ZF Mgcawu District Municipality at 30 June 2014 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2014 indicates a decrease in Net Assets, a decrease in Non-current Liabilities and a decrease in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the deficit generated on the operating account.

The decrease in Non-current Liabilities is primarily as a result of the decrease in Long-term Liabilities. The decrease in Current Liabilities is primarily as a result of the decrease in Payables from Exchange Transactions and Payables from Non-Exchange Transactions.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

Financial Statement Ratios:

INDICATOR	2014	2013
Surplus / (Deficit) before Appropriations	(2 311 172)	3 712 306
Surplus / (Deficit) at the end of the Year	(3 431 723)	5 520 994
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	55.8%	58.1%
Remuneration of Councillors	4.9%	4.9%
Collection Costs	0.0%	0.0%
Depreciation and Amortisation	1.7%	2.6%
Impairment Losses	2.1%	0.0%
Repairs and Maintenance	1.1%	0.9%
Interest Paid	0.3%	0.5%
Bulk Purchases	0.0%	0.0%
Contracted Services	0.1%	2.0%
Grants and Subsidies Paid	5.9%	6.0%
General Expenses	16.8%	21.9%
Loss on Disposal of Property, Plant and Equipment	11.3%	3.1%

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R1 736 716 (2012/13: R6 833 029). Full details of Assets are disclosed in Notes 7, 8 and Appendices "B, C and E (4)" to the Annual Financial Statements.

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

REPORT OF THE CHIEF FINANCIAL OFFICER

The capital expenditure of R1 736 716 was financed as follows:

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Finance Leases	-	4 160	(100.00)	-	-
Grants and Subsidies	1 736 716	6 828 870	(74.57)	1 963 145	(11.53)
	1 736 716	6 833 029	(74.58)	1 963 145	(11.53)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2014	2013
Finance Leases	(0.00)%	0.06%
Grants and Subsidies	100.00%	99.94%
	100.00%	100.00%

Capital Assets are funded to a great extent from grants and subsidies as the Municipality does not have the financial resources to finance capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2014	2013
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	2 013 389	12 291 796
Revenue variances	(4 454 311)	(11 515 819)
Expenditure variances:		
Employee Related Costs	(503 378)	(867 094)
Remuneration of Councillors	59 175	(101 242)
Depreciation and Amortisation	(153 327)	151 595
Impairment Losses	(40 000)	-
Repairs and Maintenance	22 066	66 170
Interest Paid	10 100	58 894
Contracted Services	(125)	231 343
Grants and Subsidies Paid	155 357	302 420
General Expenses	636 144	570 077
Loss on disposal of Property, Plant and Equipment	(6 697 807)	980 628
Actual surplus / (deficit) before appropriations	(8 952 717)	2 168 767

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

REPORT OF THE CHIEF FINANCIAL OFFICER

DETAILS	2014	2013
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	2 013 389	12 291 796
Executive and Council	2 363	69 261
Budget and treasury office	(4 710 574)	(12 925 950)
Corporate services	54 747	607 585
Municipal support	(6 312 641)	2 126 075
Actual surplus before appropriations	(8 952 716)	2 168 767

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Statement of Comparison of Budget and Actual Amounts.

5.2 Capital Budget:

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Variance actual 2013/14 / 2012/13 R	Budgeted 2013/14 R	Variance actual/ budgeted R
Executive and Council	77 017	16 011	61 005	94 000	(16 983)
Budget and treasury office	836 852	28 057	808 794	843 280	(6 429)
Corporate services	323 422	618 752	(295 330)	324 171	(749)
Municipal support	499 426	6 170 208	(5 670 783)	701 694	(202 268)
	1 736 716	6 833 029	(5 096 313)	1 963 145	(226 429)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with an explanation of significant variances of more than 5% from budget, are included in Appendix "E (4)".

2014
R
2013
R

6. ACCUMULATED SURPLUS / (DEFICIT)

The balance of the Accumulated Deficit as at 30 June 2014 amounted to (R3 431 723) (30 June 2013: R5 520 994) and is made up as follows:

Accumulated Surplus	(3 431 723)	5 520 994
	<u>(3 431 723)</u>	<u>5 520 994</u>

Refer to Note 17 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities (including short-term portion) as at 30 June 2014 was R1 473 760 (30 June 2013: R2 564 541).

Refer to Note 15 and Appendix "A" for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

REPORT OF THE CHIEF FINANCIAL OFFICER

		2014	2013
		R	R
8. EMPLOYEE BENEFIT LIABILITIES			
Retirement Benefit Liability	Note 16.1	19 078 437	19 223 593
Provision for Long-term Service	Note 16.2	1 288 077	1 193 289
		<u>20 366 514</u>	<u>20 416 882</u>

The Retirement Benefit Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Provision for Long-term Service are made in order to enable the Municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 16 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R10 515 210 as at 30 June 2014 (30 June 2013: R12 842 738) and is made up as follows:

Provisions	Note 10	2 129 396	1 915 970
Payables from Exchange Transactions	Note 11	3 362 850	4 049 117
Payables from Exchange Non-Transactions	Note 12	3 289 611	4 601 614
Unspent Conditional Grants and Receipts	Note 13	843 265	1 196 044
Current Portion of Long-term Liabilities	Note 15	890 087	1 079 993
		<u>10 515 210</u>	<u>12 842 738</u>

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months).

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R22 012 254 as at 30 June 2014 (30 June 2013: R31 655 700).

Refer to Note 7 and Appendices "B, C and E (2)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets was R151 625 as at 30 June 2014 (30 June 2013: R139 027).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS**

for the year ended 30 June 2014

REPORT OF THE CHIEF FINANCIAL OFFICER**12. CURRENT ASSETS**

Current Assets amounted R5 792 057 as at 30 June 2014 (30 June 2013: R8 385 478) and is made up as follows:

Inventories	Note 2	-	47 502
Non-current Assets Held-for-Sale	Note 3	2 200 000	-
Receivables from Exchange Transactions	Note 4	122 395	32 099
VAT Receivable	Note 5	248 745	3 372 995
Cash and Cash Equivalents	Note 6	3 211 650	4 923 755
Current Portion of Finance Lease Receivables	Note 9	9 267	9 127
		<u>5 792 057</u>	<u>8 385 478</u>

The decrease in the amount for Current Assets is mainly due to the decrease in VAT Receivables and Cash and Cash Equivalents.

Refer to the indicated Notes for more detail.

13. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 47.

14. GOING CONCERN ASSESSMENT

Full details of management's going concern assessment are disclosed in Note 49.

15. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Mayoral Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Financial Services Directorate, for without their assistance these Annual Financial Statements would not have been possible.


CHIEF FINANCIAL OFFICER
27 August 2014

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

		Actual	
	Note	2014	2013
		R	R
ASSETS			
Current Assets		5 792 057	8 385 478
Inventories	2	-	47 502
Non-current Assets Held-for-Sale	3	2 200 000	-
Receivables from Exchange Transactions	4	122 395	32 099
VAT Receivable	5	248 745	3 372 995
Cash and Cash Equivalents	6	3 211 650	4 923 755
Current Portion of Finance Lease Receivables	9	9 267	9 127
Non-Current Assets		22 241 617	31 879 683
Property, Plant and Equipment	7	22 012 254	31 655 700
Intangible Assets	8	151 625	139 027
Finance Lease Receivables	9	77 738	84 956
Total Assets		28 033 673	40 265 161
LIABILITIES			
Current Liabilities		10 515 210	12 842 738
Provisions	10	2 129 396	1 915 970
Payables from Exchange Transactions	11	3 362 850	4 049 117
Payables from Non-Exchange Transactions	12	3 289 611	4 601 614
Unspent Conditional Grants and Receipts	13	843 265	1 196 044
Current Portion of Long-term Liabilities	15	890 087	1 079 993
Non-Current Liabilities		20 950 186	21 901 430
Long-term Liabilities	15	583 672	1 484 548
Employee Benefit Liabilities	16	20 366 514	20 416 882
Total Liabilities		31 465 396	34 744 168
Total Assets and Liabilities		(3 431 723)	5 520 994
NET ASSETS		(3 431 723)	5 520 994
Accumulated Surplus / (Deficit)	17	(3 431 723)	5 520 994
Total Net Assets		(3 431 723)	5 520 994

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

		Actual	
	Note	2014 R	2013 R
REVENUE			
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	18	50 251 446	58 890 504
Public Contributions	19	2 500 000	-
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	20	33 348	27 188
Interest Earned - External Investments	21	360 956	300 287
Interest Earned - Outstanding Debtors	21	219 337	5 279
Other Income	22	961 625	2 230 628
Total Revenue		54 326 713	61 453 886
EXPENDITURE			
Employee Related Costs	23	35 280 139	34 459 010
Remuneration of Councillors	24	3 077 604	2 911 745
Depreciation and Amortisation	25	1 086 515	1 515 548
Impairment Losses	26	1 354 106	-
Repairs and Maintenance		666 540	537 528
Finance Costs	27	219 900	325 887
Contracted Services	28	85 125	1 157 420
Grants and Subsidies Paid	29	3 745 458	3 544 944
General Expenses	30	10 624 190	12 996 050
Loss on Disposal of Assets	31	7 139 852	1 836 986
Total Expenditure		63 279 429	59 285 119
SURPLUS / (DEFICIT) FOR THE YEAR		(8 952 716)	2 168 767
ADD BACK: OTHER REVENUE / EXPENDITURE INCURRED ABOVE			
Discontinued Operations:			
(Surplus) / Deficit from Discontinued Operations	32	6 641 544	1 543 539
SURPLUS / (DEFICIT) FOR THE YEAR - ex Discontinued Operations		(2 311 172)	3 712 306

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

Description	Revaluation Reserve	Accumulated Surplus / (Deficit) Account			Total for Accumulated Surplus/(Deficit) Account	Total
		Capital Replacement Reserve	Government Grants Reserve	Accumulated Surplus / (Deficit)		
2013	R	R	R	R	R	R
Balance at 30 June 2012	-	-	-	6 463 889	6 463 889	6 463 889
Correction of Error (Note 34)	-	-	-	3 546 736	3 546 736	3 546 736
Correction of 2010/11 Land and Buildings Values	-	-	-	3 042 430	3 042 430	3 042 430
Correction of 2010/11 VAT Receivable	-	-	-	(311 362)	(311 362)	(311 362)
Correction of 2010/11 Proclamation Assets transferred	-	-	-	(9 384 765)	(9 384 765)	(9 384 765)
Correction of 2010/11 Bank in 2012/13	-	-	-	(4 702)	(4 702)	(4 702)
Restated Balance	-	-	-	3 352 226	3 352 226	3 352 226
Published Surplus / (Deficit) for the year				3 278 436	3 278 436	3 278 436
Balance at 30 June 2013	-	-	-	6 630 662	6 630 662	6 630 662
2014						
Correction of Error (Note)	-	-	-	(709 669)	(709 669)	(709 669)
Change in Accounting Policy (Note 33)	-	-	-	(400 000)	(400 000)	(400 000)
Restated Opening Balance	-	-	-	5 520 993	5 520 993	5 520 993
Surplus / (Deficit) for the year				(8 952 716)	(8 952 716)	(8 952 716)
Balance at 30 June 2014	-	-	-	(3 431 723)	(3 431 723)	(3 431 723)
		-			-	

ZF MGCAWU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

		Actual	
	Note	2014	2013
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants	18	50 251 446	58 890 504
Public Contributions	19	2 500 000	-
Rental Of Facilities And Equipment		33 348	27 188
Interest Received	21	580 294	305 567
Other Income	22	961 625	2 230 628
Payments			
Employee Related Costs	23	(35 280 139)	(34 459 010)
Remuneration of Councillors	24	(3 077 604)	(2 911 745)
Interest Paid	27	(219 900)	(325 887)
Suppliers Paid		(5 403 290)	(4 709 204)
Other Payments		(9 725 606)	(9 048 644)
NET CASH FLOWS FROM OPERATING ACTIVITIES		620 174	9 999 395
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(1 650 420)	(6 833 029)
Purchase of Intangible Assets	8	(86 296)	-
Proceeds on Disposal of Property, Plant and Equipment		488 000	224 938
Decrease / (Increase) in Finance Lease Receivables	9	7 218	24 260
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1 241 498)	(6 583 831)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	15	(1 090 781)	(1 035 159)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1 090 781)	(1 035 159)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT	6	(1 712 106)	2 380 405
Cash and Cash Equivalents at Beginning of Period		4 923 755	2 543 350
Cash and Cash Equivalents at End of Period		3 211 650	4 923 755

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014
 FINANCIAL POSITION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Current Assets											
Inventories	57 000	-	57 000	-	-	57 000	-	-	(57 000)	0.00	0.00
Non-current Assets Held-for-Sale	-	-	-	-	-	-	2 200 000	-	2 200 000	0.00	0.00
Receivables from Exchange Transactions	-	-	-	-	-	-	122 395	-	122 395	0.00	0.00
Receivables from Non-exchange Transactions	500 000	-	500 000	-	-	500 000	0	-	(500 000)	0.00	0.00
VAT Receivable	-	-	-	-	-	-	248 745	-	248 745	0.00	0.00
Cash and Cash Equivalents	11 956 430	(5 000 000)	6 956 430	-	-	6 956 430	3 211 650	-	(3 744 780)	46.17	26.86
Current Portion of Finance Lease Receivables	-	-	-	-	-	-	9 267	-	9 267	0.00	0.00
Non-Current Assets											
Property, Plant and Equipment	31 925 046	-	31 925 046	-	-	31 925 046	22 012 254	-	(9 912 792)	68.95	68.95
Intangible Assets	105 000	-	105 000	-	-	105 000	151 625	-	46 625	144.40	144.40
Finance Lease Receivables	-	-	-	-	-	-	77 738	-	77 738	0.00	0.00
Total Assets	44 543 476	(5 000 000)	39 543 476	-	-	39 543 476	28 033 673	-	(11 509 803)	70.89	62.94
Current Liabilities											
Provisions	1 350 000	-	1 350 000	-	-	1 350 000	2 129 396	-	779 396	157.73	157.73
Payables from Exchange Transactions	8 662 872	(2 900 000)	5 762 872	-	-	5 762 872	3 362 850	-	(2 400 022)	58.35	38.82
Payables from Non-exchange Transactions	-	-	-	-	-	-	3 289 611	-	3 289 611	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	843 265	-	843 265	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	-	890 087	-	890 087	0.00	0.00
Non-Current Liabilities											
Long-term Liabilities	1 025 000	-	1 025 000	-	-	1 025 000	583 672	-	(441 328)	56.94	56.94
Employee Benefit Liabilities	19 500 000	(2 000 000)	17 500 000	-	-	17 500 000	20 366 514	-	2 866 514	116.38	104.44
Non-current Provisions	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Liabilities	30 537 872	(4 900 000)	25 637 872	-	-	25 637 872	31 465 396	-	5 827 524	122.73	103.04
Total Assets and Liabilities	14 005 604	(100 000)	13 905 604	-	-	13 905 604	(3 431 723)	-	(17 337 327)	-	-
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	14 005 604	(100 000)	13 905 604	-	-	13 905 604	(3 431 723)	-	(17 337 327)	-	-
Total Net Assets	14 005 604	(100 000)	13 905 604	-	-	13 905 604	(3 431 723)	-	(17 337 327)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

No stock held in stores. The stores has been phased out by the municipality during the financial year.

Non-current Assets Held-for-Sale:

Budgeted for under Property, Plant and Equipment. The process to sell the assets have unfold during the financial year and are planned to be finalised in 2014/2015 therefore was the line item not budgeted for.

Receivables from Exchange Transactions:

Budgeted for under Receivables from Non-exchange Transactions. The district municipality does not have household debtors.

Receivables from Non-exchange Transactions:

Over budgeted for Receivables from Non-exchange Transactions.

VAT Receivable:

Incorrectly budgeted for as a VAT Payable

Cash and Cash Equivalents:

Budget amount was based on the actual of 2012/2013 and the grants administered on behalf of Mier Municipality but because of re classifications of the projects of Mier Municipality, it caused the variance in Cash and Cash Equivalents

Current Portion of Finance Lease Receivables:

Budgeted for under Finance lease receivables. No separate budget exist for the line item.

Property, Plant and Equipment:

The budget amount was based on the Actual PPE for 2012/2013 therefore the variance. However Properties were transferred to Non-current Assets Held-for-Sale and the completed Capital Projects was transferred to Kail/Garib Municipality during 2013/2014 which decrease the PPE.

Intangible Assets:

The variance is due to unforeseen upgrades on the Intangible Assets in order to have resources in working conditions .

Finance Lease Receivables:

Budgeted for under PPE

Provisions:

Increase in the current portions of PEMA and LSA valuation reports

Payables from Exchange Transactions:

The variance is due to third parties that were paid after year-end

Payables from Non-exchange Transactions:

Budgeted for under Payables from Exchange Transactions. Variance is due to the re-classification of projects administered on behalf of Mier municipality.

Unspent Conditional Grants and Receipts:

The late transfer of grants from the department caused for the grants to not been spent in full.

Current Portion of Long-term Liabilities:

Budgeted for under Long-term Liabilities

Long-term Liabilities:

Under budgeted for Long-term Liabilities and includes the budgeted amount for Current Portion of Long-term Liabilities.

Employee Benefit Liabilities:

Under budgeted for Employee Benefit Liabilities due to external factors that influence the provision calculations that are outside our control.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014
 FINANCIAL PERFORMANCE

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	50 723 000	-	50 723 000	-	-	50 723 000	50 251 446	-	(471 554)	99.07	99.07
Public Contributions	-	-	-	-	-	-	2 500 000	-	2 500 000	-	-
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	50 000	-	50 000	-	-	50 000	33 348	-	(16 652)	66.70	66.70
Interest Earned - External Investments	175 000	75 000	250 000	-	-	250 000	360 956	-	110 956	144.38	206.26
Interest Earned - Outstanding Debtors	1 751 400	-	1 751 400	-	-	1 751 400	219 337	-	(1 532 063)	12.52	12.52
Other Income	7 558 480	(1 551 856)	6 006 624	-	-	6 006 624	961 625	-	(5 044 999)	16.01	12.72
Total Revenue	60 257 880	(1 476 856)	58 781 024	-	-	58 781 024	54 326 713	-	(4 454 311)	92.42	90.16
Expenditure											
Employee Related Costs	36 866 552	(679 264)	36 187 288	-	(1 410 527)	34 776 761	35 280 139	-	503 378	101.45	95.70
Remuneration of Councillors	3 672 473	(529 148)	3 143 325	-	(6 546)	3 136 779	3 077 604	-	(59 175)	98.11	83.80
Depreciation and Amortisation	1 153 747	(370 470)	783 277	-	149 911	933 188	1 086 515	-	153 327	116.43	94.17
Impairment Losses	-	-	-	-	1 314 106	1 314 106	1 354 106	-	40 000	103.04	0.00
Repairs and Maintenance	585 500	95 000	680 500	-	8 106	688 606	666 540	-	(22 066)	96.80	113.84
Finance Costs	615 000	(385 000)	230 000	-	-	230 000	219 900	-	(10 100)	95.61	35.76
Contracted Services	150 000	(80 000)	70 000	-	15 000	85 000	85 125	-	125	100.15	56.75
Grants and Subsidies Paid	4 848 800	-	4 848 800	-	(947 985)	3 900 815	3 745 458	-	(155 357)	96.02	77.25
General Expenses	10 407 944	991 501	11 399 445	-	(139 111)	11 260 334	10 624 190	-	(636 144)	94.35	102.08
Loss on Disposal of Property, Plant and Equipment	(575 000)	-	(575 000)	-	1 017 046	442 046	7 139 852	-	6 697 806	1 615.18	0.00
Total Expenditure	57 725 016	(957 381)	56 767 635	-	-	56 767 635	63 279 429	-	6 511 794	111.47	109.62
Surplus/(Deficit)	2 532 864	(519 475)	2 013 389	-	-	2 013 389	(8 952 716)	-	(10 966 105)	-	-
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers and	2 532 864	(519 475)	2 013 389	-	-	2 013 389	(8 952 716)	-	(10 966 105)	-	-
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	(6 641 544)	-	(6 641 544)	-	-
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit for the Year)	2 532 864	(519 475)	2 013 389	-	-	2 013 389	(2 311 172)	-	(4 324 561)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Public Contributions:

Budgeted for under Other Income.

Rental of Facilities and Equipment:

Over budgeted. The houses rent by previous roads employees have been sold to them therefore the variance.

Interest Earned - External Investments:

Interest earned potential were understated in the budget planning. Higher interest rates were realised in the financial year.

Interest Earned - Outstanding Debtors:

Incorrectly budget for. Includes the total VAT amount receivable and not only interest.

Other Income:

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Budgeted Other Income includes funds received from mine and was classified under Public Contributions.

Other income were too optimistically budgeted for and include the Income on Support and Shared services of which the SLA's was only finalised during last quarter of the year.

Loss on Disposal of Property, Plant and Equipment:

An Infrastructure Sewer Network was completed on behalf of Kai Garib Local Municipality and was transferred to Kai Garib on 30 September 2013 according to the Proclamation 10,14&15 dated 4 February 2012. ZFM cannot budget for this project as it is not an actual cash outflow when you transfer an asset to another municipality.

PPE were sold during the year below their Net Book Values.

Surplus / (Deficit) from Discontinued Operations:

Infrastructure WIP transferred to Local Municipality and not budgeted for under

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014
CAPITAL EXPENDITURE PER FUNCTION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	110 000	-	110 000	-	(16 000)	94 000	77 017	-	(16 983)	81.93	70.02
Budget and treasury office	790 000	(22 605)	767 395	-	75 885	843 280	836 852	-	(6 429)	99.24	105.93
Corporate services	560 000	(479 375)	80 625	-	243 546	324 171	323 422	-	(749)	99.77	57.75
Municipal Support	1 010 000	(4 875)	1 005 125	-	(303 431)	701 694	499 426	-	(202 268)	71.17	49.45
Total Capital Expenditure	2 470 000	(506 855)	1 963 145	-	-	1 963 145	1 736 716	-	(226 429)	88.47	70.31

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:

Cost containment measures and savings realised by buying only necessary assets

Municipal Support

Cost containment measures and savings realised by buying only necessary assets

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014
CASH FLOW

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Cash Flows from/(used in) Operating Activities											
Grants	60 163 000	(5 600 000)	54 563 000	-	-	54 563 000	50 251 446	-	(4 311 554)	92.10	83.53
Public Contributions	-	-	-	-	-	-	2 500 000	-	2 500 000	0.00	0.00
Rental Of Facilities And Equipment	-	-	-	-	-	-	33 348	-	33 348	0.00	0.00
Interest Received	175 000	75 000	250 000	-	-	250 000	580 294	-	330 294	232.12	331.60
Other Income	9 359 880	(1 551 856)	7 808 024	-	-	7 808 024	961 625	-	(6 846 399)	12.32	10.27
Employee Related Costs	(53 991 123)	2 563 218	(51 427 905)	-	-	(51 427 905)	(35 280 139)	-	16 147 766	68.60	65.34
Remuneration of Councillors	-	-	-	-	-	-	(3 077 604)	-	(3 077 604)	0.00	0.00
Interest Paid	-	-	-	-	-	-	(219 900)	-	(219 900)	0.00	0.00
Suppliers Paid	-	-	-	-	-	-	(5 403 290)	-	(5 403 290)	0.00	0.00
Other Payments	-	-	-	-	-	-	(9 725 606)	-	(9 725 606)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(2 470 000)	506 855	(1 963 145)	-	-	(1 963 145)	(1 650 420)	-	312 725	84.07	66.82
Purchase of Intangible Assets	-	-	-	-	-	-	(86 296)	-	(86 296)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	575 000	-	575 000	-	-	575 000	488 000	-	(87 000)	84.87	84.87
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	-	-	7 218	-	7 218	0.00	0.00
Cash Flows from/(used in) Financing Activities											
Loans repaid	(610 000)	385 000	(225 000)	-	-	(225 000)	(1 090 781)	-	(865 781)	484.79	178.82
Cash and Cash Equivalents at End of the Year	13 201 757	(3 621 783)	9 579 974	-	-	9 579 974	(1 712 106)	-	(11 292 080)	0.00	0.00

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Public Contributions

Budgeted for under Other Income.

Service Charges

Not budgeted for. The function is transferred to Local Municipalities. The actual amount is cash inflows from prior year.

Rental Of Facilities And Equipment

Budgeted for under Other Income.

Interest Received

Interest earned were understated in the budget planning. Higher interest rates were realised in the financial year and SARS paid out interest on the late payout of VAT refunds .

Other Income

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Budgeted Other Income includes funds received from mine and was classified under Public Contributions.

Other income were too optimistically budgeted for and include the Income on Supprt and Shared services of which the SLA's was only finalised during last quarter of the year.

Employee Related Costs

Remuneration of councillors, Suppliers paid and Other payments budgeted for under Employee Related Cost

Remuneration of Councillors

Budgeted for under Employee Related Cost

Interest Paid

Budgeted for under Employee Related Cost

Suppliers Paid

Budgeted for under Employee Related Cost

Other Payments

Budgeted for under Employee Related Cost

Purchase of Property, Plant and Equipment:

Variance due to cost containment measures and savings that realised

Purchase of Intangible Assets:

The variance is due to unforeseen upgrades on the Intangible Assets in orde to have resources in working conditions .

Proceeds on Disposal of Property, Plant and Equipment:

A loss on disposal of Property, Plant and Equipment realised during the financial year

Decrease / (Increase) in Finance Lease Receivables

Budgeted for under PPE

Loans repaid:

The budget amount only included the interest paid and not the capital portion therefor the variance.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2013
 FINANCIAL POSITION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Current Assets											
Inventories	173 798	-	173 798	-	-	173 798	47 502	-	(126 296)	27.33	27.33
Receivables from Exchange Transactions	3 474 147	(3 474 147)	-	-	-	-	32 099	-	32 099	0.00	0.92
Receivables from Non-exchange Transactions	4 608 659	(2 000 000)	2 608 659	-	-	2 608 659	0	-	(2 608 659)	0.00	0.00
VAT Receivable	(2 834 553)	-	(2 834 553)	-	-	(2 834 553)	3 372 995	-	6 207 547	0.00	0.00
Cash and Cash Equivalents	16 837 841	(4 500 000)	12 337 841	-	-	12 337 841	4 923 755	-	(7 414 085)	39.91	29.24
Current Portion of Finance Lease Receivables	-	-	-	-	-	-	9 127	-	9 127	0.00	0.00
Non-Current Assets											
Property, Plant and Equipment	52 372 697	(6 529 022)	45 843 675	-	-	45 843 675	31 655 700	-	(14 187 976)	69.05	60.44
Intangible Assets	-	-	-	-	-	-	139 027	-	139 027	0.00	0.00
Finance Lease Receivables	-	-	-	-	-	-	84 956	-	84 956	0.00	0.00
Total Assets	74 632 589	(16 503 169)	58 129 420	-	-	58 129 420	40 265 161	-	(17 864 259)	69.27	53.95
Current Liabilities											
Provisions	1 458 401	-	1 458 401	-	-	1 458 401	1 915 970	-	457 569	131.37	131.37
Payables from Exchange Transactions	2 951 363	-	2 951 363	-	-	2 951 363	4 049 117	-	1 097 754	137.19	137.19
Payables from Non-exchange Transactions	-	-	-	-	-	-	4 601 614	-	4 601 614	0.00	0.00
Unspent Conditional Grants and Receipts	7 894 198	(3 500 000)	4 394 198	-	-	4 394 198	1 196 044	-	(3 198 154)	27.22	15.15
Bank Overdraft	9 002 814	(9 002 814)	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Liabilities	839 824	-	839 824	-	-	839 824	1 079 993	-	240 169	128.60	128.60
Non-Current Liabilities											
Long-term Liabilities	1 700 935	-	1 700 935	-	-	1 700 935	1 484 548	-	(216 387)	87.28	87.28
Employee Benefit Liabilities	16 254 972	-	16 254 972	-	-	16 254 972	20 416 882	-	4 161 910	125.60	125.60
Non-current Provisions	11 278 425	-	11 278 425	-	-	11 278 425	-	-	(11 278 425)	0.00	0.00
Total Liabilities	51 380 932	(12 502 814)	38 878 118	-	-	38 878 118	34 744 168	-	(4 133 951)	89.37	67.62
Total Assets and Liabilities	23 251 657	(4 000 356)	19 251 301	-	-	19 251 301	5 520 994	-	(13 730 308)	28.68	23.74
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	23 251 657	(4 000 356)	19 251 301	-	-	19 251 301	5 520 994	-	(13 730 308)	28.68	23.74
Total Net Assets	23 251 657	(4 000 356)	19 251 301	-	-	19 251 301	5 520 994	-	(13 730 308)	28.68	23.74

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

Minimum stock held in stores

Receivables from Exchange Transactions:

Budgeted for under Receivables from Non-exchange Transactions

Receivables from Non-exchange Transactions:

Good debtor recoveries from Government Subsidy Claims

VAT Receivable:

Budgeted for as a VAT Payable

Cash and Cash Equivalents:

Over budgeted for Cash and Cash Equivalents

Current Portion of Finance Lease Receivables:

Budgeted for under Finance lease receivables

Property, Plant and Equipment:

Properties on title deeds were transferred to Local Municipalities.

Intangible Assets:

Budgeted for under PPE

Finance Lease Receivables:

Budgeted for under PPE

Provisions:

Increase in the current portions of PEMA and LSA valuation reports

Payables:

Third parties were paid after year-end

Unspent Conditional Grants and Receipts:

Written off all unspent conditional grants to external evidence

Current Portion of Long-term Liabilities:

Budgeted for under Long-term Liabilities

Long-term Liabilities:

Variance within 10% when the current portion of long-term liabilities is included.

Retirement Benefit Liabilities:

Increase in the PEMA valuation reports

Non-current Provisions:

Incorrectly budgeted for Refuse landfill site rehabilitation of R5 274 152

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2013
FINANCIAL PERFORMANCE

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	57 039 000	-	57 039 000	-	-	57 039 000	58 890 504	-	1 851 504	103.25	103.25
Public Contributions	-	1 500 000	1 500 000	-	-	1 500 000	-	-	(1 500 000)	0.00	0.00
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	44 071	(11 263)	32 808	-	-	32 808	27 188	-	(5 620)	82.87	61.69
Interest Earned - External Investments	787 500	-	787 500	-	-	787 500	300 287	-	(487 213)	38.13	38.13
Interest Earned - Outstanding Debtors	-	-	-	-	-	-	5 279	-	5 279	0.00	0.00
Other Income	11 692 584	1 917 813	13 610 397	-	-	13 610 397	2 230 628	-	(11 379 769)	16.39	19.08
Total Revenue	69 563 155	3 406 550	72 969 705	-	-	72 969 705	61 453 886	-	(11 515 819)	84.22	88.34
Expenditure											
Employee Related Costs	37 462 072	(586 510)	36 875 562	-	(3 283 646)	33 591 916	34 459 010	-	867 094	102.58	91.98
Remuneration of Councillors	229 953	381 728	611 681	-	2 198 822	2 810 503	2 911 745	-	101 242	103.60	1 266.23
Depreciation and Amortisation	2 484 947	(510 978)	1 973 969	-	(306 826)	1 667 143	1 515 548	-	(151 595)	90.91	60.99
Repairs and Maintenance	655 291	39 000	694 291	-	(90 593)	603 698	537 528	-	(66 170)	89.04	82.03
Finance Costs	571 292	2 000	573 292	-	(188 511)	384 781	325 887	-	(58 894)	84.69	57.04
Contracted Services	1 320 000	110 000	1 430 000	-	(41 237)	1 388 763	1 157 420	-	(231 343)	83.34	87.68
Grants and Subsidies Paid	3 493 000	65 500	3 558 500	-	288 864	3 847 364	3 544 944	-	(302 420)	92.14	101.49
General Expenses	13 524 729	1 987 135	15 511 864	-	(1 945 737)	13 566 127	12 996 050	-	(570 077)	95.80	96.09
Loss on Disposal of Property, Plant and Equipment	(551 250)	-	(551 250)	-	3 368 864	2 817 614	1 836 986	-	(980 628)	65.20	0.00
Total Expenditure	59 190 034	1 487 875	60 677 909	-	-	60 677 909	59 285 119	-	(1 392 790)	97.70	100.16
Surplus/(Deficit)	10 373 121	1 918 675	12 291 796	-	-	12 291 796	2 168 767	-	(10 123 029)	17.64	20.91
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers and	10 373 121	1 918 675	12 291 796	-	-	12 291 796	2 168 767	-	(10 123 029)	17.64	20.91
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	(1 543 539)	-	(1 543 539)	-	-
Surplus/(Deficit for the Year)	10 373 121	1 918 675	12 291 796	-	-	12 291 796	3 712 306	-	(8 579 490)	30.20	35.79

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Public Contributions:

Virement posted to incorrect vote number

Rental of Facilities and Equipment:

Over budgeted. Rental income of R100 570 was not received during the current year of which R64 193 was written off and the remaining balance was provided for

Interest Earned - External Investments:

This was a "Correction of Error" on Finance Lease Receivables

Interest Earned - Outstanding Debtors:

Interest earned potential were overstated in the budget planning. Lower interest rates were realised in the financial year

Other Income:

Other income were too optimistically budgeted for and did not realised as forecasted.

Repairs and Maintenance:

Less was spent on repairs and maintenance due to the replacement of redundant assets with new assets occurred.

Finance Costs:

Over-budgeted for expenditure

Contracted Services:

It was an extension of Ducharme Consulting contract - condoned by Council

Loss on Disposal of Property, Plant and Equipment:

PPE transferred to Local Municipalities and not budgeted for

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2013

CAPITAL EXPENDITURE PER FUNCTION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	152 500	-	152 500	-	-	152 500	16 011	-	(136 489)	10.50	10.50
Budget and treasury office	255 000	(200 000)	55 000	-	-	55 000	28 057	-	(26 943)	51.01	11.00
Corporate services	1 047 250	350 000	1 397 250	-	-	1 397 250	618 752	-	(778 498)	44.28	59.08
Municipal Support	10 531 800	150 000	10 681 800	-	-	10 681 800	6 170 208	-	(4 511 592)	57.76	58.59
Total Capital Expenditure	11 986 550	300 000	12 286 550	-	-	12 286 550	6 833 029	-	(5 453 521)	55.61	57.01

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:

Savings realised by buying only necessary assets

Budget and treasury office

Savings realised by buying only necessary assets

Corporate services

Savings realised by buying only necessary assets

Municipal Support

Savings realised by buying only necessary assets

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2013
CASH FLOW

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Cash Flows from/(used in) Operating Activities											
Grants	57 039 000	(999 550)	56 039 450	-	-	56 039 450	58 890 504	-	2 851 054	105.09	103.25
Rental of Facilities and Equipment	-	-	-	-	-	-	27 188	-	27 188	0.00	0.00
Interest Received	787 500	-	787 500	-	-	787 500	305 567	-	(481 933)	38.80	38.80
Other Income	13 313 204	2 830 958	16 144 162	-	-	16 144 162	2 230 628	-	(13 913 534)	13.82	16.76
Employee Related Costs	(54 332 011)	(6 317 066)	(60 649 077)	-	-	(60 649 077)	(34 459 010)	-	26 190 067	56.82	63.42
Remuneration of Councillors	-	-	-	-	-	-	(2 911 745)	-	(2 911 745)	0.00	0.00
Interest Paid	(571 292)	-	(571 292)	-	-	(571 292)	(325 888)	-	245 404	57.04	57.04
Suppliers Paid	-	-	-	-	-	-	(4 709 204)	-	(4 709 204)	0.00	0.00
Other Payments	-	-	-	-	-	-	(9 048 644)	-	(9 048 644)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(11 986 550)	(300 000)	(12 286 550)	-	-	(12 286 550)	(6 833 029)	-	5 453 521	55.61	57.01
Proceeds on Disposal of Property, Plant and Equipment	551 250	-	551 250	-	-	551 250	224 938	-	(326 312)	40.81	40.81
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	-	-	24 260	-	24 260	0.00	0.00
Cash Flows from/(used in) Financing Activities											
Loans repaid	(134 165)	-	(134 165)	-	-	(134 165)	(1 035 158)	-	(900 994)	0.00	0.00
Cash and Cash Equivalents at End of the Year	4 666 937	(4 785 658)	(118 721)	-	-	(118 721)	2 380 405	-	2 499 126	-	51.01

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Rental of Facilities and Equipment

Budgeted for under Other Income.

Interest Received

Interest earned potential were overstated in the budget planning. Lower interest rates were realised in the financial year.

Other Income

Other income were too optimistically budgeted for and did not realised as forecasted.

Employee Related Costs

Remuneration of councillors, Suppliers paid and Other payments budgeted for under Employee Related Cost

Remuneration of Councillors

Budgeted for under Employee Related Cost

Interest Paid

Over-budgeted for expenditure

Suppliers Paid

Budgeted for under Employee Related Cost

Other Payments

Budgeted for under Employee Related Cost

Purchase of Property, Plant and Equipment:

Savings realised

Proceeds on Disposal of Property, Plant and Equipment:

A loss on disposal of Property, Plant and Equipment realised during the financial year

Decrease / (Increase) in Finance Lease Receivables

Budgeted for under PPE

Loans repaid:

The budget amount only included the interest paid and not the capital portion therefor the variance.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2013/14		2012/13
	R		R
Net surplus/(deficit) per the statement of financial performance	(8 952 716)		2 168 767
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	471 554		(1 851 504)
Public Contributions	(2 500 000)		1 500 000
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	16 652		5 620
Interest Earned - External Investments	(110 956)		487 213
Interest Earned - Outstanding Debtors	1 532 063		(5 279)
Other Revenue	5 044 999		11 379 769
Expenditure			
Employee Related Costs	503 378		867 094
Remuneration of Councillors	(59 175)		101 242
Depreciation and Amortisation	153 327		(151 595)
Impairment Losses	40 000		-
Repairs and Maintenance	(22 066)		(66 170)
Finance Costs	(10 100)		(58 894)
Contracted Services	125		(231 343)
Grants and Subsidies Paid	(155 357)		(302 420)
General Expenses	(636 144)		(570 077)
Loss on Disposal of Property, Plant and Equipment	6 697 806		(980 628)
Net surplus/deficit per approved budget	2 013 389		12 291 796

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1.1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2013 and 30 June 2014 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

(a) is required by a Standard of GRAP; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 *Revenue Recognition*

Accounting Policy 9.2 on Revenue from Exchange Transactions and Accounting Policy 9.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions*: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

1.2.2 *Financial assets and liabilities*

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on Financial Assets Classification and Accounting Policy 6.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments - Presentation* and GRAP 104: *Financial Instruments - Recognition and Measurement*.

1.2.3 *Impairment of Financial Assets*

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired.

In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

• Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.2.4 *Useful lives of Property, Plant and Equipment and Intangible assets*

As described in Accounting Policies 3.3 and 4.2 the municipality depreciates and amortises its Property, Plant and Equipment and Intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 *Impairment: Write down of Property, Plant and Equipment and Inventories*

Accounting Policy 3.10 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 7.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Value (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: *Property, Plant and Equipment*, GRAP 12: *Inventory* and GRAP 102: *Intangible assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the CRC for inventories involves significant judgment by management.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

1.2.6 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 11.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards.

The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 16 to the Annual Financial Statements.

1.2.7 *Provisions and contingent liabilities*

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 10 and 43 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1.4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1.5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been approved but are not yet effective and have not been early adopted by the municipality:

GRAP 32	Service Concessions Arrangements: Grantor
GRAP 108	Statutory Receivables
GRAP 20	Related Party Disclosures
GRAP 18	Segment Reporting
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfers of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

Above Standards of GRAP were approved, but for which the Minister of Finance has not yet determined an effective date, and that entities may consider in formulating an accounting policy (paragraph .30 of Directive 5), before applying the hierarchy in the Standards of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

GRAP 20 - Related Party Transactions

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. ACCUMULATED SURPLUS

The accumulated surplus of the municipality is affected by only the nett profit or loss during the financial year and is maintained in terms of the relevant accounting policies.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land has an unlimited useful life and therefore is not depreciated. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		Other	
Roads and Paving	45 - 50	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
		Office Equipment	3 - 7
Buildings	25 - 100	Furniture and Fittings	5 - 10
		Watercraft	15
Community		Bins and Containers	5
Recreational Facilities	15 - 60	Specialised Plant and Equipment	10 - 15
Security	5	Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

3.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment.

Subsequent to measurement, heritage assets are carried at cost less impairment losses.

3.7 Land

Land has an unlimited useful life and therefore is not depreciated.

3.8 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3.9 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3.10 Impairment of assets

3.10.1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.10.2 *Impairment of Non-Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Transitional provisions

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2012 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 5.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual value and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

The fair values of intangible assets recognised in terms of GRAP 102 have been disclosed for the financial year ended 30 June 2012 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement .

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6.1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes there to:

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Available for sale
Bank Balances and Cash	Available for sale
Finance Lease Receivable	Available for sale
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Available for sale.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost)
- (iii) Financial guarantee contract

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to group entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

6.3.2 *Financial Liabilities:*

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

6.4 *Impairment of Financial Assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Impairment losses recognised in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the Statement of Financial Performance, the impairment loss must be reversed, with the amount of the reversal recognised in the Statement of Financial Performance

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. INVENTORIES

7.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale of inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

7.3 Transitional Provisions

The net realisable value of inventory recognised in terms of GRAP 12 have been disclosed for the financial year ended 30 June 2014 in accordance with the requirements of GRAP 12, GRAP 3 and ASB Directive 5.

8. NON-CURRENT ASSETS HELD-FOR-SALE

8.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

8.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

9. REVENUE RECOGNITION

9.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

9.2 Revenue from Exchange Transactions

9.2.1 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

9.2.2 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

9.2.3 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

9.3 Revenue from Non-exchange Transactions

9.3.1 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are available for use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

9.3.2 *Other Donations and Contributions*

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

9.3.3 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

9.3.4 *Government Grants and Receipts*

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

10. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

11. EMPLOYEE BENEFITS

11.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

11.2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

11.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

11.3 Defined Benefit Plans

A defined benefit plan is a post- employment benefit plan other than a defined contribution plan.

11.3.1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Actuarial gains or losses are accounted for using the “corridor method”. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

11.3.2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality’s liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

11.3.3 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the “corridor method”. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

12. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

12.1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

12.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

12.3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

13. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2010 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

14. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 33 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in notes 35 to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Refer to Note 34 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

20. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

21. COMPARATIVE INFORMATION

21.1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided in an annexure to these financial statements and forms part of the audited Annual Financial Statements.

21.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

23 COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

24 TREATMENT OF SUPPORT FUNDS RECEIVED

Income received from Local Municipalities for support services are not recognised as revenue but are allocated to suspense accounts where the cost of support services are deducted from. By using suspense accounts for each Local Municipality ZFM has more control over its support services and cannot overspent on support rendered.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. GENERAL INFORMATION

ZF Mgcawu District Municipality (The Municipality, formerly known as Siyanda District Municipality) is a local government institution in Upington, Northern Cape and has 6 local municipalities under its jurisdiction. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

	2014 R	2013 R
2. INVENTORIES		
Consumable Stores - at cost	-	47 502
Total Inventories	<u>-</u>	<u>47 502</u>

During the 2013/14 financial year the Municipality decided that it is not cost effective to keep inventory in a store as the audit fees are higher than the actual inventory balance on year-end.

No Inventories have been pledged as collateral for Liabilities of the Municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE

Property Held-for-Sale - at cost	2 200 000	-
Total Non-current Assets Held-for-Sale	<u>2 200 000</u>	<u>-</u>
Liabilities associated with Non-current Assets Held-for-Sale	-	-
Net Non-current Assets Held-for-Sale	<u>2 200 000</u>	<u>-</u>

3.1 Property Held-for-Sale

The Municipality is in the process to dispose some of its Property, Plant and Equipment within the next ten months. No competitive bid could be obtained from the tender process and a search is now underway to get a buyer by using attorneys as advised by Provincial Treasury. An impairment loss of R453 197 was recognised on reclassification of the property as held-for-sale at the lower of its carrying amount and fair value less costs to sell..

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Other Receivables	158 771	36 376	122 395
Payments Made In Advance	78 466	-	78 466
Other Debtors	80 305	36 376	43 929
Total Receivables from Exchange Transactions	<u>158 771</u>	<u>36 376</u>	<u>122 395</u>
As at 30 June 2013			
Other Receivables	68 475	36 376	32 099
Other Debtors	68 475	36 376	32 099
Total Receivables from Exchange Transactions	<u>68 475</u>	<u>36 376</u>	<u>32 099</u>

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
4.1 Ageing of Receivables from Exchange Transactions		
Other Debtors: Ageing		
<u>Current:</u>		
0 - 30 days	122 395	32 099
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	36 376	36 376
Total	158 771	68 475

4.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2014				
<u>Current:</u>				
0 - 30 days	-	-	-	122 395
<u>Past Due:</u>				
31 - 60 Days	-	-	-	-
61 - 90 Days	-	-	-	-
+ 90 Days	-	36 376	-	-
Sub-total	-	36 376	-	122 395
Less: Provision for Impairment	-	36 376	-	-
Total Trade Receivables by Customer Classification	-	-	-	122 394

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	-	-	-	32 099
<u>Past Due:</u>				
31 - 60 Days	-	-	-	-
61 - 90 Days	-	-	-	-
+ 90 Days	-	36 376	-	-
Sub-total	-	36 376	-	32 099
Less: Provision for Impairment	-	36 376	-	-
Total Trade Receivables by Customer Classification	-	-	-	32 099

4.3 Reconciliation of the Provision for Impairment

	2014 R	2013 R
Balance at beginning of year	36 376	48 627
<i>All Consumer Debtors</i>	36 376	48 627
<i>Assessment Rates Debtors</i>	-	-
Impairment Losses reversed	-	(12 250)
<i>All Consumer Debtors</i>	-	(12 250)
Balance at end of year	36 376	36 376

4.4 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
5. VAT RECEIVABLE		
VAT Receivable	248 745	3 372 995
VAT Payable	-	-
VAT Receivable	<u>248 745</u>	<u>3 372 995</u>

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are made before the due date.

An impairment loss was recognised after an audit was performed by SARS during the 2013/14 financial year and therefore VAT Receivables were written-off by R900 909.

6. CASH AND CASH EQUIVALENTS

Current Investments	1 685 679	1 139 123
Bank Accounts	1 513 170	3 782 049
Cash and Cash Equivalents	<u>12 800</u>	<u>2 584</u>
	3 211 650	4 923 755
Bank Overdraft	-	-
Total Bank, Cash and Cash Equivalents	<u>3 211 650</u>	<u>4 923 755</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Current Investments.

6.1 Current Investment Deposits

Call Deposits	1 685 679	1 139 123
Total Current Investment Deposits	<u>1 685 679</u>	<u>1 139 123</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.5% to 4.9% per annum.

ABSA - Branch 632005 - Acc 4051455519	-	-
ABSA - Branch 632005 - Acc 4048776037	-	-
ABSA - Branch 632005 - Acc 1045170264	12 158	805 199
ABSA - Branch 632005 - Acc 1045180260	1 673 521	333 924
Total Current Investment Deposits	<u>1 685 679</u>	<u>1 139 123</u>

Deposits of R1 685 679 (2013: R1 139 123) are ring-fenced and partly attributable to Unspent Conditional Grants. For these bank accounts the general ledger agrees to the bank statement balance.

ABSA - Branch 632005 - Acc 4051455519

Cash book balance at beginning of year	-	174 098
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	1 085 081	174 098
Bank statement balance at end of year	<u>-</u>	<u>1 085 081</u>

ABSA - Branch 632005 - Acc 4048776037

Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	698 400	140 797
Bank statement balance at end of year	<u>-</u>	<u>698 400</u>

ABSA - Branch 632005 - Acc 1045170264

Cash book balance at beginning of year	805 199	-
Cash book balance at end of year	<u>12 158</u>	<u>805 199</u>
Bank statement balance at beginning of year	805 199	788 987
Bank statement balance at end of year	<u>12 158</u>	<u>805 199</u>

ABSA - Branch 632005 - Acc 1045180260

Cash book balance at beginning of year	333 924	-
Cash book balance at end of year	<u>1 673 521</u>	<u>333 924</u>
Bank statement balance at beginning of year	333 924	1 468 768
Bank statement balance at end of year	<u>1 673 521</u>	<u>333 924</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
6.2 Bank Accounts		
Cash in Bank	1 513 170	3 782 049
Bank Overdraft	-	-
Total Bank Accounts	<u>1 513 170</u>	<u>3 782 049</u>

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Branch 632005 - Acc 2240000035

Cash book balance at beginning of year	3 782 049	(31 479)
Cash book balance at end of year	<u>1 513 170</u>	<u>3 782 049</u>
Bank statement balance at beginning of year	1 998 568	1 835 296
Bank statement balance at end of year	<u>1 513 170</u>	<u>1 998 568</u>

6.3 Cash and Cash Equivalents

Cash Floats and Advances	12 800	2 584
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>12 800</u>	<u>2 584</u>

Petty Cash Bank Account

ABSA Bank - Branch 632005 - Acc 9266723639

Cash book balance at beginning of year	2 180	2 180
Cash book balance at end of year	<u>12 800</u>	<u>2 180</u>
Bank statement balance at beginning of year	2 584	3 059
Bank statement balance at end of year	<u>12 800</u>	<u>2 584</u>

No restrictions have been imposed on the Municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the Municipality and financial institutions.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2014

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community Assets	Other Assets	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2013	18 516 000	3 401 088	6 164 434	-	3 568 717	5 461	31 655 700
Cost	18 516 000	4 328 352	6 164 434	-	6 580 658	175 267	35 764 711
- Completed Assets	18 516 000	4 328 352	-	-	6 580 658	175 267	29 600 277
- Under Construction	-	-	6 164 434	-	-	-	6 164 434
Accumulated Depreciation:	-	(927 264)	-	-	(3 011 941)	(169 805)	(4 109 011)
- Cost	-	(927 264)	-	-	(3 011 941)	(169 805)	(4 109 011)
Acquisitions	-	-	-	-	1 173 310	-	1 173 310
Capital under Construction - Additions:	-	-	477 110	-	-	-	477 110
- Cost	-	-	477 110	-	-	-	477 110
Depreciation:	-	(95 411)	-	-	(917 340)	(800)	(1 013 552)
- Based on Cost	-	(95 411)	-	-	(917 340)	(800)	(1 013 552)
Carrying value of Disposals:	-	-	(6 641 544)	-	(980 913)	(4 661)	(7 627 118)
- Cost	-	-	-	-	(1 567 882)	(175 267)	(1 743 149)
- Under Construction	-	-	(6 641 544)	-	-	-	(6 641 544)
- Accumulated Depreciation	-	-	-	-	586 970	170 606	757 575
- Based on Cost	-	-	-	-	586 970	170 606	757 575
Carrying value of Transfers to Held-for-Sale:	(540 000)	(2 113 197)	-	-	-	-	(2 653 197)
- Cost	(540 000)	(2 272 352)	-	-	-	-	(2 812 352)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	159 155	-	-	-	-	159 155
- Based on Cost	-	159 155	-	-	-	-	159 155
- Based on Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2014	17 976 000	1 192 480	-	-	2 843 774	-	22 012 254
Cost	17 976 000	2 056 000	-	-	6 186 086	-	26 218 086
- Completed Assets	17 976 000	2 056 000	-	-	6 186 086	-	26 218 086
- Under Construction	-	-	-	-	-	-	-
Accumulated Depreciation:	-	(863 520)	-	-	(3 342 312)	-	(4 205 832)
- Cost	-	(863 520)	-	-	(3 342 312)	-	(4 205 832)

30 June 2013

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community Assets	Other Assets	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2012	18 670 231	3 654 951	1 543 539	-	4 689 508	42 496	28 600 724
Cost	18 670 231	4 760 199	1 543 539	-	6 874 080	521 099	32 369 148
- Completed Assets	18 670 231	4 760 199	-	-	6 874 080	521 099	30 825 609
- Under Construction	-	-	1 543 539	-	-	-	1 543 539
Accumulated Depreciation:	-	(1 105 248)	-	-	(2 184 573)	(478 603)	(3 768 424)
- Cost	-	(1 105 248)	-	-	(2 184 573)	(478 603)	(3 768 424)
Acquisitions	-	-	-	-	668 595	-	668 595
Capital under Construction - Additions:	-	-	6 164 434	-	-	-	6 164 434
- Cost	-	-	6 164 434	-	-	-	6 164 434
Depreciation:	-	(202 723)	-	-	(1 222 828)	(37 035)	(1 462 586)
- Based on Cost	-	(202 723)	-	-	(1 222 828)	(37 035)	(1 462 586)
Carrying value of Disposals:	(154 231)	(51 140)	(1 543 539)	-	(566 558)	-	(2 315 468)
- Cost	(154 231)	(431 847)	-	-	(962 018)	(345 832)	(1 893 928)
- Under Construction	-	-	(1 543 539)	-	-	-	(1 543 539)
- Accumulated Depreciation	-	380 707	-	-	395 460	345 832	1 121 999
- Based on Cost	-	380 707	-	-	395 460	345 832	1 121 999
Carrying values at 30 June 2013	18 516 000	3 401 088	6 164 434	-	3 568 717	5 461	31 655 700
Cost	18 516 000	4 328 352	6 164 434	-	6 580 658	175 267	35 764 711
- Completed Assets	18 516 000	4 328 352	-	-	6 580 658	175 267	29 600 277
- Under Construction	-	-	6 164 434	-	-	-	6 164 434
Accumulated Depreciation:	-	(927 264)	-	-	(3 011 941)	(169 805)	(4 109 011)
- Cost	-	(927 264)	-	-	(3 011 941)	(169 805)	(4 109 011)

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.

7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

7.3 Assets pledged as security

The Municipality did not pledge any of its assets as security, except for Leases Assets.

7.4 Impairment of Property, Plant and Equipment

No Property, Plant and Equipment were impaired from active use during the financial year.

7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year 2013/14:

	2014 R	2013 R
Budget and treasury office	-	(10 729)
Administration	(1 659)	-
Council Administration	(1 754)	-
Council Services	(977)	-
Engineering Services	(5 773)	-
Environmental Health	(4 467)	-
Financial Services	(13 418)	-
Economic Development/Planning	-	(852)
Housing	(2 953)	(2 983)
Human Resources	(3 936)	6 928
Information Technology	(9 647)	(368)
Internal Audit	(1 868)	-
Mayor and Council	-	(1 308)
Municipal Manager	(1 203)	(4 811)
Municipal Support Services	(526)	-
PIMMS	(2 018)	-
Other	-	(1 535)
Other Admin	-	5 074
Property Services	(4 575)	(4 464)
Security Services	(89)	-
Tourism	(2 553)	(117)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(57 415)	(15 165)

7.6 Land and Buildings carried at Fair Value

The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

7.7 Compensation received for Losses

Compensation, included in Operating Surplus, was received from the Municipality's insurers for Property, Plant and Equipment lost during the year:

Compensation received from insurers	15 901	5 677
Compensation received from responsible employees	-	1 447
Carrying value of lost assets	(6 056)	(370)
Surplus / (Deficit) on Compensation received for Lost PPE	9 845	6 755

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

2014
R

2013
R

	151 625	139 027
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The movement in Intangible Assets is reconciled as follows:

30 June 2014

Carrying values at 01 July 2013

Cost	291 178	291 178
Accumulated Amortisation	(152 151)	(152 151)

Acquisitions:	86 296	86 296
Purchased	86 296	86 296

Amortisation:	(72 964)	(72 964)
Purchased	(72 964)	(72 964)

Transfers:	(735)	(735)
At Cost	(19 800)	(19 800)
At Accumulated Amortisation	19 065	19 065

Carrying values at 30 June 2014

Cost	357 674	357 674
Accumulated Amortisation	(206 049)	(206 049)

30 June 2013

Carrying values at 01 July 2012

Cost	294 940	294 940
Accumulated Amortisation	(101 285)	(101 285)

Acquisitions:	-	-
Purchased	-	-

Amortisation:	(52 962)	(52 962)
Purchased	(52 962)	(52 962)

Transfers:	(1 665)	(1 665)
At Cost	(3 761)	(3 761)
At Accumulated Amortisation	2 096	2 096

Carrying values at 30 June 2013

Cost	291 178	291 178
Accumulated Amortisation	(152 151)	(152 151)

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of Financial Performance (see Note 25).

All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Intangible Assets of the Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets

The Municipality's intangible assets only comprise of computer related software.

8.2 Intangible Assets with Indefinite Useful Lives

The Municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.

8.4 Change in Estimate - Useful Life of Intangible Assets reviewed

	2014 R	2013 R
A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year :		
Information Technology	-	(46 464)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	<u>-</u>	<u>(46 464)</u>

9 FINANCE LEASE RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Housing Selling Scheme Loans	87 005	-	87 005
	<u>87 005</u>	<u>-</u>	<u>87 005</u>
Less: Current Portion transferred to Current Receivables:-			9 267
Housing Selling Scheme Loans			<u>9 267</u>
Total Long-term Receivables			<u>77 738</u>

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Housing Selling Scheme Loans	94 083	-	94 083
	<u>94 083</u>	<u>-</u>	<u>94 083</u>
Less: Current Portion transferred to Current Receivables:-			9 127
Housing Selling Scheme Loans			<u>9 127</u>
Total Finance Lease Receivables			<u>84 956</u>

HOUSING SELLING SCHEME LOANS

Loans were granted to the tenants of low cost housing erected by the Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rented from the Municipality. Loans are repaid over a period of twenty years and at an interest rate of 5% per annum.

9.1 Leasing Arrangements

The Municipality entered into finance Leasing Arrangements for the house selling scheme loans. All leases are denominated in Currency Units. The average term of Finance Leases entered into is twenty years.

9.2 Amounts receivable under Finance Leases

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2014 R	2013 R	2014 R	2013 R
Within one year	11 878	18 971	11 878	18 971
In the second to fifth years, inclusive	47 512	75 884	47 512	75 884
Over five years	<u>131 177</u>	<u>143 055</u>	<u>131 177</u>	<u>143 055</u>
	190 567	237 909	190 567	237 909
Less: Unearned Finance Income	<u>112 829</u>	<u>152 954</u>	<u>112 829</u>	<u>152 954</u>
Present Value of Minimum Lease Payments Receivable	<u>77 738</u>	<u>84 956</u>	<u>77 738</u>	<u>84 956</u>
Provision for Uncollectable Lease Receivables	-	-	-	-
Total Finance Lease Receivables	<u>77 738</u>	<u>84 956</u>	<u>77 738</u>	<u>84 956</u>
Unearned Finance Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Included in the Annual Financial Statements as:		
Non-current Finance Lease Receivables	77 738	84 956
Current Finance Lease Receivables	9 267	9 127
Total Finance Lease Receivables	87 005	94 083

The interest rate inherent in the leases are fixed at the contract date of the entire lease term. The average effective interest rate contracted is approximately 5% (2013: 5%) per annum.

Management of the Municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Finance Lease Receivables were determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties.

10 PROVISIONS

Performance Bonuses	481 303	414 959
Current Portion of Employee Benefits Liability (See Note 16):	1 648 093	1 501 011
Post-retirement Health Care Benefits Liability	1 340 580	1 320 408
Long Service Awards	307 513	180 603
Total Provisions	2 129 396	1 915 970

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The movement in provisions are reconciled as follows:

Current Provisions:

Performance Bonuses:

Balance at beginning of year	414 959	445 336
Contributions to provision	417 698	341 116
Expenditure incurred	(351 353)	(371 493)
Balance at end of year	481 303	414 959

Current Portion of Non-Current Provisions:

	Land-fill Sites R	Long-term Service R	Post-retirement R
30 June 2014			
Balance at beginning of year	-	180 603	1 320 408
Transfer from non-current	-	126 910	20 172
Balance at end of year	-	307 513	1 340 580
	Land-fill Sites R	Long-term Service R	Post-retirement R
30 June 2013			
Balance at beginning of year	-	52 582	1 180 908
Transfer from non-current	-	128 021	139 500
Balance at end of year	-	180 603	1 320 408

11 PAYABLES FROM EXCHANGE TRANSACTIONS

	2014 R	2013 R
Trade Creditors	3 065 374	3 066 758
Retentions	297 476	582 358
Suspense Accounts - Support	-	400 000
Total Creditors	3 362 850	4 049 117

Suspense Accounts - Support have been restated in the previous financial year. Refer to Note 33 on 'Change in Accounting Policies' for details of the restatement.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Suspense Account - Support is money received from Local Municipalities to render support services to them. The money is kept in separate suspense accounts so that ZFM District Municipality can have more control over the costing of support services.

The Municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

	2014 R	2013 R
12 PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Staff Leave Accrued	1 605 797	1 476 074
Suspense Accounts - Kgotsi Pula Nala Project	1 412 294	3 124 840
Suspense Accounts - Bloodhound Project	270 820	-
Other Creditors	700	700
Total Payables	3 289 611	4 601 614

Staff Leave accrues to the staff of the Municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

13.1 Conditional Grants from Government

	843 265	1 196 044
National Government Grants	-	-
Provincial Government Grants	843 265	1 196 044
Total Conditional Grants and Receipts	843 265	1 196 044

The Unspent Grants are cash backed by Cash and Cash equivalents and VAT Receivables.

See Note 18 for the reconciliation of Grants from Government Receipts. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

14 OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June 2014 as none of the contracts has any escalation clauses.

15 LONG-TERM LIABILITIES

Annuity Loans	1 473 760	2 560 381
Finance Lease Liabilities	-	4 160
Sub-total	1 473 760	2 564 541
Less: Current Portion transferred to Current Liabilities:-	890 087	1 079 993
Annuity Loans	890 087	1 075 833
Finance Lease Liabilities	-	4 160
Total Long-term Liabilities (Neither past due, nor impaired)	583 672	1 484 548

15.1 Summary of Arrangements

Annuity Loans are repaid over a period of 20 years (2013: 20 years) and at an interest rate of 10% (2013: 10%) per annum. The Annuity Loans are not secured.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

15.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Lease Liabilities relates to Office Equipment with lease terms of 2 - 5 years in the 2012/13 financial year. There were no finance lease liabilities as at 30 June 2014. The effective interest rate on Finance Leases was between 11% and 15.50% in 2012/13 and 2013/14.

The Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2014 R	2013 R	2014 R	2013 R
Amounts payable under finance leases:				
Within one year	-	4 216	-	4 216
In the second to fifth years, inclusive	-	-	-	-
Over five years	-	-	-	-
	<u>-</u>	<u>4 216</u>	<u>-</u>	<u>4 216</u>
Less: Future Finance Obligations	-	56	-	56
Present Value of Minimum Lease Obligations	<u>-</u>	<u>4 160</u>	<u>-</u>	<u>4 160</u>
Less: Amounts due for settlement within 12 months (Current Portion)			-	(4 160)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u>-</u>	<u>-</u>
			2014 R	2013 R

The Municipality has finance lease agreements for the following significant classes of assets:

(i) Office Equipment	R 0	R 0
- Instalments are payable monthly in advance		
- Average period outstanding	0 months	1 months
- Average effective interest rate	15.50%	15.50%
- Average monthly instalment	R 351	R 4 216

16 EMPLOYEE BENEFIT LIABILITIES

Provision for Post-retirement Health Care Benefits Liability	Note 16.1	19 078 437	19 223 593
Provision for Long Service Awards	Note 16.2	1 288 077	1 193 289
Total Non-current Provisions		<u>20 366 514</u>	<u>20 416 882</u>

16.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	20 544 001	18 623 851
Contributions to Provision	(422 055)	1 905 703
Increase due to Discounting	1 550 312	1 302 533
Expenditure incurred	(1 253 241)	(1 288 086)
Balance at end of Year	<u>20 419 017</u>	<u>20 544 001</u>
Transfer to Current Provisions	(1 340 580)	(1 320 408)
Total Post-retirement Health Care Benefits Liability	<u>19 078 437</u>	<u>19 223 593</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

	2014 R	2013 R
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
Continuation Members (Retirees, widowers and orphans)	32	34
Total Members	32	34

The liability in respect of past service has been estimated as follows:

Continuation Members	20 419 017	20 544 001
Total Liability	20 419 017	20 544 001

The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Keyhealth
- LA Health

The Interest Cost for the year ending 30 June 2014 is R1 550 312 where as the cost for the ensuing year is estimated to be R1 681 781 (30 June 2016: R1 706 460).

	2014 R	2013 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.51%	7.79%
Health Care Cost Inflation Rate	7.80%	7.05%
Net Effective Discount Rate	0.66%	0.70%
Expected Rate of Salary Increase	6.79%	6.84%
Expected Retirement Age - Females	67	67
Expected Retirement Age - Males	70	69

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	20 544 001	18 623 851
Interest cost	1 550 312	1 302 533
Benefits paid	(1 253 241)	(1 288 086)
Actuarial losses / (gains)	(422 055)	1 905 703

Present Value of Fund Obligation at the end of the Year

Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	20 419 017	20 544 001

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	20 419 017	20 544 001
Fair value of plan assets	-	-
	20 419 017	20 544 001
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	20 419 017	20 544 001
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	20 419 017	20 544 001

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	1 550 312	1 302 533
Benefits paid	(1 253 241)	(1 288 086)
Actuarial losses / (gains)	(422 055)	1 905 703
Total Post-retirement Benefit included in Employee Related Costs (Note 23)	(124 984)	1 920 150

The history of experienced adjustments is as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Present Value of Defined Benefit Obligation	20 419 017	20 544 001	18 623 851	17 370 673	17 364 097
Fair Value of Plan Assets	-	-	-	-	-
Deficit	20 419 017	20 544 001	18 623 851	17 370 673	17 364 097

History of experience adjustments: Gains and Losses:

Experienced adjustments on Plan Liabilities	(506 000)	1 841 000	(93 000)	(425 000)	-
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Above figures summarises the experience adjustments for the current period and the previous three periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2010 reporting period.

	2014 R	2013 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	1 466 200	1 466 200
Effect on the defined benefit obligation	22 857 000	23 053 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1 164 100	1 164 100
Effect on the defined benefit obligation	18 359 000	18 429 000

The Municipality expects to make a contribution of R1 340 580 (30 June 2013: R1 320 408) to the Defined Benefit Plans during the next financial year.

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements of the Municipality as at 30 June 2008 in terms of IAS 19, Employee Benefits, paragraph 155(a). The Municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2008.

Refer to Note 41, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally administered.

16.2 Long Service Awards

Balance at beginning of Year	1 373 892	994 791
Contributions to Provision	92 560	331 542
Increase due to Discounting	319 760	195 430
Expenditure incurred	(190 622)	(147 871)
Balance at end of Year	1 595 590	1 373 892
Transfer to Current Provisions	(307 513)	(180 603)
Total Long Service Awards Liability	1 288 077	1 193 289

The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

At year end, 110 (2013: 109) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2014 is estimated to be R226 956, whereas the cost for the ensuing year is estimated to be R163 104 (30 June 2013: R132 215).

	2014	2013
	R	R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.87%	7.25%
Cost Inflation Rate		
Net Effective Discount Rate	0.77%	0.47%
Expected Rate of Salary Increase (Long term)	7.04%	6.75%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	1 373 892	994 791
Current service costs	226 956	132 215
Interest cost	92 804	63 215
Benefits paid	(190 622)	(147 871)
Actuarial losses / (gains)	92 560	331 542

Present Value of Fund Obligation at the end of the Year

	1 595 590	1 373 892
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	1 595 590	1 373 892

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1 595 590	1 373 892
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	1 595 590	1 373 892
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	1 595 590	1 373 892

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	226 956	132 215
Interest cost	92 804	63 215
Expenditure incurred	(190 622)	(147 871)
Actuarial losses / (gains)	92 560	331 542
Total Long Service Awards Benefit included in Employee Related Costs (Note 23)	221 698	379 101

The history of experienced adjustments is as follows:

	2014	2013	2012	2011	2010
	R	R	R	R	R
Present Value of Defined Benefit Obligation	1 595 590	1 373 892	994 791	821 672	1 189 497
Deficit	1 595 590	1 373 892	994 791	821 672	1 189 497

History of experience adjustments: Gains and Losses:

Experienced adjustments on Plan Liabilities	129 212	325 940	38 977	(540 114)	-
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Above figures summarises the experience adjustments for the current period and the previous three periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2010 reporting period.

The effect of a 1% salary movement in the assumed rate of long service cost inflation is as follows:

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Increase:		
Effect on the aggregate of the current service cost and the interest cost	339 200	209 400
Effect on the defined benefit obligation	1 698 000	1 419 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	302 300	182 800
Effect on the defined benefit obligation	1 503 000	1 249 000

The Municipality expects to make a contribution of R307 513 (2013: R180 603) to the defined benefit plans during the next financial year.

The transitional Defined Benefit Liabilities for Long Service Awards have been recognised in the Annual Financial Statements of the Municipality as at 30 June 2008 in terms of IAS 19, Employee Benefits, paragraph 155(a). The Municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2008.

17 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	(3 431 723)	5 520 994
Total Accumulated Surplus	(3 431 723)	5 520 994

Accumulated Surplus has been restated to correctly classify amounts held by the Municipality. Refer to Note 34 ('Correction of error') for details of the restatements.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

18 GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	44 236 000	42 890 000
Operational Grants	44 236 000	42 890 000
Conditional Grants	6 015 446	16 000 504
Provincial: DRD Water pipeline Grant	-	576 440
Provincial: DWA Water pipeline Grant	-	69 304
Provincial: Housing Accreditation DPLG National	769 120	300 000
National: FMG	1 250 000	1 250 000
National: MIG	-	1 308 321
National: MSIG	890 000	1 000 000
Provincial: Disaster Management - Near Project Subsidy	810 803	-
Provincial: Disaster Management - Fire Equipment Grant	578 955	-
Provincial: EPWP Incentive Grant	1 000 000	1 000 000
Provincial: DRD Sewer network and oxidation ponds RVM V/V	716 569	6 731 013
Provincial: Department Housing - Houses	-	3 765 425
Total Government Grants and Subsidies	50 251 446	58 890 504
Attributable to:		
Continuing Operations	50 251 446	58 890 504
Discontinued Operations	-	-
	50 251 446	58 890 504

Operational Grants:

18.1 National: Equitable Share	44 236 000	42 890 000
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In terms of the Constitution, this grant was used in the 2014 financial year under review to subsidise the provision of basic services to indigent community members.

In the current financial year the grant was used for operational expenses.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Conditional Grants:		
18.2 Provincial: COGHSTA - DRD Water pipeline RVM Mission		
Balance overspent at beginning of year	-	-
Current year receipts	-	576 440
Over expenditure on Grant transferred to operating expenses	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(576 440)
Conditions still to be met - transferred to Liabilities (see Note 13)	-	-
	<u>-</u>	<u>-</u>

The purpose of this grant was for the erection of Bulk water supply at Riemvasmaak Sending to provide water to the community.

18.3 Provincial: DWA Water pipeline RVM Mission

Balance unspent at beginning of year	-	69 304
Current year receipts	-	-
Over expenditure on Grant transferred to operating expenses	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(69 304)
Conditions still to be met - transferred to Liabilities (see Note 13)	-	-
	<u>-</u>	<u>-</u>

The purpose of this grant was for the erection of Bulk water supply at Riemvasmaak Sending to provide water to the community.

18.4 Provincial: Housing Accreditation DPLG National

Balance unspent at beginning of year	-	(1 170 966)
Current year receipts	916 663	999 999
Over expenditure on Grant transferred to operating expenses	-	470 967
Conditions met - transferred to Revenue: Operating Expenses	(759 770)	(300 000)
Conditions met - transferred to Revenue: Capital Expenses	(9 350)	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>147 544</u>	<u>-</u>

The purpose of this grant was to allow the Municipality to build capacity in-house for the performing of the housing function.

18.5 National: FMG

Balance unspent at beginning of year	-	-
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to Revenue: Operating Expenses	(1 211 503)	(1 250 000)
Conditions met - transferred to Revenue: Capital Expenses	(38 497)	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Grant is also used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA as part of strengthening financial and asset management in the Municipality.

18.6 National: MIG

Balance unspent at beginning of year	-	1 308 321
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(1 308 321)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure, to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities as part of the upgrading of previously disadvantaged areas. No funds have been withheld.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
18.7 National: MSIG		
Balance unspent at beginning of year	-	-
Current year receipts	890 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(741 894)	(1 000 000)
Conditions met - transferred to Revenue: Capital Expenses	(148 106)	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to assist the Municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy. The grant is spent according to an approved business plan. No funds have been withheld.

18.8 Provincial: Disaster Management - Near Project Subsidy

Balance unspent at beginning of year	798 200	798 200
Current year receipts	300 000	-
Conditions met - transferred to Revenue: Operating Expenses	(810 803)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>287 397</u>	<u>798 200</u>

To enhance Municipalities capacity to deal with disasters and emergencies.

18.9 Provincial: Disaster Management - Fire Equipment Grant

Balance unspent at beginning of year	397 844	397 844
Current year receipts	300 000	-
Conditions met - transferred to Revenue: Operating Expenses	(578 955)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>118 889</u>	<u>397 844</u>

To enhance Municipalities capacity to deal with fire incidents.

18.10 Provincial: EPWP Incentive Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(993 174)	(1 000 000)
Conditions met - transferred to Revenue: Capital Expenses	(6 826)	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

18.11 DRD Sewer network and oxidation ponds RVM V/V

Balance unspent at beginning of year	-	104 000
Current year receipts	1 006 004	6 627 014
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(716 569)	(6 731 013)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>289 435</u>	<u>-</u>

This grant was used to build a sewerage and water infrastructure as part of the upgrading of informal settlement areas. Funds received for example implementation readiness study for Riemvasmaak Mission Water pipeline. No funds have been withheld.

18.12 Department of Housing Grant - Houses

Balance unspent at beginning of year	-	1 503 566
Current year receipts	-	2 261 860
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(3 765 425)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

This grant was used to improve sewerage and water infrastructure as part of the upgrading of informal settlement areas. Funds received for example implementation readiness study for Riemvasmaak Mission Water pipeline. No funds have been withheld.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
18.13 Summary of Conditional Grants:		
Balance unspent at beginning of year	1 196 044	3 010 268
Current year receipts	5 662 668	13 715 312
Over expenditure on Grant transferred to operating expenses	-	470 967
Conditions met - transferred to Revenue: Operating Expenses	(5 096 098)	(3 550 000)
Conditions met - transferred to Revenue: Capital Expenses	(919 348)	(12 450 503)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>843 265</u>	<u>1 196 044</u>
Grants classified under Receivables from Non-exchange Transactions	-	-
Unspent Conditional Grants (Current Liabilities)	<u><u>843 265</u></u>	<u><u>1 196 044</u></u>

19 PUBLIC CONTRIBUTIONS

Conditional Contributions	2 500 000	-
Other Donations	-	-
Total Public Contributions	<u><u>2 500 000</u></u>	<u><u>-</u></u>
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	(2 500 000)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Total Transfers	<u><u>(2 500 000)</u></u>	<u><u>-</u></u>
Attributable to:		
Continuing Operations	2 500 000	-
Discontinued Operations	-	-
	<u><u>2 500 000</u></u>	<u><u>-</u></u>

Reconciliation of Conditional Public Contributions:

19.1 Contributions from Sishen Iron Ore Company

Balance unspent at beginning of year	-	-
Current year receipts	2 500 000	-
Conditions met - transferred to Revenue: Operating Expenses	(2 500 000)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	<u>-</u>	<u>-</u>

The Municipality received a donation from Sishen Iron Ore Company for rendering support services to Local Municipalities. The public contributions were utilised for this purpose and adhere to the Municipality's Donation Policy. No funds have been withheld.

20 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Other Facilities	33 348	27 188
Total Rental of Facilities and Equipment	<u><u>33 348</u></u>	<u><u>27 188</u></u>
Attributable to:		
Continuing Operations	33 348	27 188
	<u><u>33 348</u></u>	<u><u>27 188</u></u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
21 INTEREST EARNED		
External Investments:		
Investments and Bank Account	360 956	300 287
	360 956	300 287
Outstanding Debtors:		
Finance Leases	4 512	5 279
Other Outstanding Debtors - SARS	214 826	-
	219 337	5 279
Total Interest Earned	580 294	305 567
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	360 956	300 287
Loans and Receivables	219 337	5 279
	580 294	305 567
Revenue recognised in respect of Financial Assets designated as at 'fair value' is disclosed in Note 40.		
22 OTHER INCOME		
Admin Revenue	606 594	199 552
Commission - Insurance	32 560	27 707
Fines - Regional Levies	-	1 602
Monies sundries	13 948	1 889 795
Shared Services	193 237	110 000
Tender Deposits	4 129	1 972
Internal Rental Income - Vehicles	111 157	-
Total Other Income	961 625	2 230 628
Attributable to:		
Continuing Operations	961 625	2 230 628
	961 625	2 230 628
Other Income has been restated to correctly classify revenue to be included in the category of Other Income. Refer to Note 34 on 'Correction of Error' for details of the restatement.		
23 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	24 429 150	23 256 737
Basic Salaries and Wages	22 757 228	21 558 546
Contribution to Leave Fund	174 496	243 167
Service Bonuses	1 497 427	1 455 023
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 035 722	4 263 674
Medical	1 044 136	1 474 668
Pension	3 569 020	2 364 989
Industrial Council Levy	7 147	9 571
Skills Development Levy	253 145	250 125
UIF	162 274	164 320
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 518 149	2 603 723
Allowances	3 518 149	2 603 723
Housing Benefits and Allowances	338 844	258 553
Performance Bonuses	417 698	341 116
Defined Benefit Plan Expense:	1 540 576	3 735 208
- Long Service Awards		
Current Service Cost	226 956	132 215
Interest Cost	92 804	63 215
Net Actuarial (gains)/losses recognised	92 560	331 542
- Post-retirement Health Care Benefits Liability		
Interest Cost	1 550 312	1 302 533
Net Actuarial (gains)/losses recognised	(422 055)	1 905 703
Total Employee Related Costs	35 280 139	34 459 010
Attributable to:		
Continuing Operations	35 280 139	34 459 010
	35 280 139	34 459 010
Employee Related Costs has been restated to correctly classify expenditure incurred for UIF and SDL. Refer to Note 34 on 'Correction of Error' for details of the restatement.		

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager: (D. Nxganga for 5 months)</i>		
Annual Remuneration	340 000	775 750
Performance Bonus	147 209	148 593
Car and Other Allowances	131 825	284 131
Company Contributions to Medical and Pension Funds	-	1 713
Total	619 034	1 210 187
<i>Remuneration of the Municipal Manager: (E. Ntoba for 7 months)</i>		
Annual Remuneration	518 409	-
Car and Other Allowances	345 606	-
Total	864 015	-
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	510 360	230 000
Bonus	-	60 000
Performance Bonus	102 072	111 450
Car Allowance	274 524	415 908
Company Contributions to Medical and Pension Funds	50 116	76 348
Housing	15 600	15 600
Total	952 672	909 306
<i>Remuneration of the Manager: Support Services</i>		
Annual Remuneration	432 000	459 296
Bonus	-	42 000
Performance Bonus	102 072	111 450
Car Allowance	194 250	215 889
Company Contributions to Medical and Pension Funds	-	1 564
Housing	11 700	14 300
Total	740 022	844 499
<i>Remuneration of the Manager: Corporate Services</i>		
Annual Remuneration	400 815	-
Bonus	30 000	-
Car Allowance	266 944	-
Acting Allowance	21 214	-
Cellphone Allowance	1 760	-
Company Contributions to Medical and Pension Funds	114 267	-
Housing	15 600	-
Total	850 600	-
The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:		
Staff Leave Benefits:-		
Municipal Manager - E. Ntoba	18 316	-
Municipal Manager - D. Nxganga	-	84 240
Director: Finance	26 539	24 000
Director: Support Services	23 040	92 736
Director: Corporate Services	17 636	-
Total	85 531	200 976

24 REMUNERATION OF COUNCILLORS

Mayor	513 749	484 162
Speaker	410 999	387 329
Executive Committee Members	641 791	543 385
Councillors	720 174	718 572
Company Contributions to UIF, Medical and Pension Funds	31 402	31 942
UIF	3 569	3 426
Skills Development Levy	27 833	28 516
Other Allowances (Cellular Phones, Housing, Transport, etc.)	759 489	746 356
Telephone Allowance	96 481	95 672
Travelling Allowance	663 008	650 683
Total Councillors' Remuneration	3 077 604	2 911 745

Remuneration of Councillors has been restated to correctly classify expenditure incurred for UIF and SDL. Refer to Note 34 on 'Correction of Error' for details of the restatement.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

In-kind Benefits

The Councillors occupying the positions of Executive Mayor and Speaker of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor has use of Council owned vehicles for official duties.

	2014 R	2013 R
25 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	1 013 552	1 462 586
Amortisation: Intangible Assets	72 964	52 962
Total Depreciation and Amortisation	1 086 515	1 515 548
Attributable to:		
Continuing Operations	1 086 515	1 515 548
	1 086 515	1 515 548
26 IMPAIRMENT LOSSES		
26.1 Impairment Losses on Assets		
Impairment Losses Recognised:	453 197	-
Non-current Assets Held-for-Sale	453 197	-
	453 197	-
26.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised (written off during the current year):	900 909	-
VAT Receivable	900 909	-
Movement in the Provision for Receivables from Non-exchange Transactions:	-	(12 250)
Receivables from Exchange Transactions	-	(12 250)
	900 909	(12 250)
Total Impairment Losses	1 354 106	(12 250)
Attributable to:		
Continuing Operations	900 909	(12 250)
Discontinued Operations	453 197	-
	1 354 106	(12 250)
27 FINANCE COSTS		
Finance Leases	56	4 812
Loans and Payables at amortised cost	219 844	321 076
Total Interest Expense	219 900	325 887
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	219 900	325 887
Attributable to:		
Continuing Operations	219 900	325 887
	219 900	325 887
28 CONTRACTED SERVICES		
Professional Fees	85 125	1 157 420
Total Contracted Services	85 125	1 157 420

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
29 GRANTS AND SUBSIDIES PAID		
Conditional Grants Paid	3 745 458	3 544 944
Total Grants and Subsidies	3 745 458	3 544 944

These expenditure were incurred in respect of operational conditional grants, ex. FMG and MSIG, and internal projects launched by council at disadvantage communities

30 GENERAL EXPENSES

Included in General Expenses are the following:

External Audit Fees	1 699 231	1 662 336
Accounting	-	165 450
Advertisements	136 834	114 450
Bank charges	60 258	70 974
Bouquets	3 768	7 689
Brochures	44 313	26 000
Cleaning materials	19 398	23 005
Cleaning Services	71 225	66 896
Community Service	-	17 350
Compensation Commissioner	298 216	424 522
Congress	12 118	4 512
Consumables	25 372	55 831
Contracts	278 414	252 991
Donations	-	1 037
Electricity	335 547	240 769
Entertainment Costs	238 065	199 150
Fruitless	9 758	6 110
Fuel and Oil	757 710	663 544
Information Technology	79 909	54 854
Insurance	301 193	247 468
Internet Charges	438 188	267 071
Legal Fees	234 008	88 971
License Fees	5 220	8 080
Material	112	9 820
Mayoral Funds	806 585	969 464
Medical examinations	49 506	-
Membership Fees	472 241	245 099
Operating project	22 119	1 787 365
Parts	17 901	13 517
Postage Fees	8 889	9 077
Printing & Stationary	176 458	260 862
Property rates	91 172	142 723
Protective Clothing	3 514	5 436
Radios	1 050	-
Refreshments	8 364	9 094
Rental of assets	856 875	907 438
Sanitation and sewerage	97 739	71 045
Special programmes	36 442	144 633
Specimen analysis	-	1 445
Study aid	31 566	46 078
Reimbursements	920 935	1 135 574
Sundry Expenses	57 864	172 072
Telephone	345 817	470 349
Training	139 511	197 317
Translation services	26 435	27 710
Travel Costs	1 285 893	1 549 454
Uniforms	29 914	31 415
Vehicle expenses	61 626	67 772
Water costs	26 919	26 732
Youth development	-	25 500
Total General Expenses	10 624 190	12 996 050

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
31 LOSS ON DISPOSAL OF ASSETS		
Losses with disposal of PPE	447 635	117 119
Losses on write-offs	50 674	176 328
Losses on Transfer of Infrastructure to Local Municipality	6 641 544	1 543 539
Net Other Losses	7 139 852	1 836 986
Attributable to:		
Continuing Operations	498 308	293 447
Discontinued Operations - Transfer of Infrastructure to Local Municipality	6 641 544	1 543 539
	7 139 852	1 836 986

32 DISCONTINUED OPERATIONS

32.1 Property, Plant and Equipment

Property, Plant and Equipment (Infrastructure: Sewer Network) have been transferred to Kai !Garib Local Municipality in July 2013.

Property, Plant and Equipment (Infrastructure: Tarring of streets) have been transferred to Kai !Garib Local Municipality in July 2012.

REVENUE

Other Income

Total Income

LESS: EXPENDITURE

Loss on disposal of Property, Plant and Equipment

Gain / (Loss) on re-measurement to Fair Value, less Costs to Sell

Gain / (Loss) on disposal of Operation

Net Surplus/(Deficit) from Discontinued Operations

Discontinued operations have been restated to correctly disclose the PPE that was transferred to Khai Garib Local Municipality. It was only the one project that was transferred and all the Land and Buildings were transferred in 2011/12 financial year. The discontinued operation amount was incorrectly linked in the 2012/13 Annual Financial Statements and therefore the amount disclosed was incorrect.

-	-
-	-
6 641 544	1 543 539
6 641 544	1 543 539
(6 641 544)	(1 543 539)
-	-
-	-
(6 641 544)	(1 543 539)

33 CHANGE IN ACCOUNTING POLICY

The Municipality adopted no Accounting Standards for the first time during the financial year 2013/14 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

33.1 Reclassification of Other Income to Payables from Exchange Transactions

During the preparation of the 2013/2014 annual financial statements it was voluntary decided to control the support income received from Local Municipalities rather through suspense accounts and not allocating the money directly to Other Income. Support money of R400 000 was received from Tsantsabane Local Municipality in 2012/13 financial year and was treated as Other Income in the Statement of Financial Performance. In the 2012/13 Service Level Agreement nothing was mentioned that ZFM District Municipality must pay back the support money received and therefore no liability existed on 30 June 2013. In the 2013/14 financial year the Other Income and Other Creditors were retrospectively corrected due to the decision taken in the current financial year.

The prior year figures of Other Income and Payables from Exchange Transactions have been restated to correctly disclose the support monies held by the Municipality under Payables from Exchange Transactions.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The effect of the changes are as follows:

	Accumulated Surplus/Deficit	Other Income	Payables from Exchange Transactions
Balances published as at 30 June 2013	6 630 662	2 516 746	2 939 448
Payables in published AFS			7 541 062
Min: Reclassification of Payables to Payables from Non-Exchange Transactions	Note 33.2		(4 601 614)
Change in Accounting Policy:- Support Money Received from Tsantsabane Local Municipality	(400 000)	(400 000)	400 000
Correction of Error:- Reclassification of Revenue	Note 34.1	113 882	
Correction of Payables from Exchange Transactions	Note 34.3	(709 669)	709 669
Restated Balances as at 30 June 2013	5 520 993.63	2 230 628.14	4 049 116.73

33.2 Reclassification of Payables to Payables from Exchange Transactions and Payables from Non-Exchange Transactions

The prior year figures of Payables have been reclassified to correctly disclose Payables from Exchange Transactions and Payables from Non-Exchange Transactions separately on the Statement of Financial Position.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

The effect of the changes are as follows:

	Payables	Payables from Exchange Transactions	Payables from Non-Exchange Transactions
Total as per AFS previously published for 2012/13	7 541 062	-	-
Reclassification of Payables	Note 11 & 12	(7 541 062)	2 939 448
Change in Accounting Policy	Note 33.1	400 000	4 601 614
Correction of error	Note 34	709 669	
Restated Total as per AFS currently disclosed for 2012/13	-	4 049 117	4 601 614
Restated Total for 30 June 2012	-	3 192 541	1 303 427

33.3 Reclassification of Provision for Post-retirement Benefits and Provision for Long-term Service to Employee Benefit Liabilities

The prior year figures of Provision for Post-retirement Benefits and Provision for Long-term Service have been reclassified to correctly disclose Employee Benefit Liabilities as one line item in the Statement of Financial Position.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

The effect of the Change in Accounting Policy is as follows:

	Provision Post-retirement Benefits	Non-Current Provisions	Employee Benefit Liabilities
Balances published as at 30 June 2012	17 442 943	942 209	-
Reclassification	(17 442 943)	(942 209)	18 385 152
Restated Balances as at 30 June 2012	-	-	18 385 152
Transactions incurred for the Year 2012/13:			
Contributions to Provision	-	-	2 237 245
Increase due to Discounting	-	-	1 497 963
Expenditure incurred	-	-	(1 435 957)
Transfer Short-term Portion to Current Liabilities	-	-	(267 521)
Restated Balances as at 30 June 2013	-	-	20 416 882

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Effect of the Change in Accounting Policy:		
The effect of the above-mentioned changes in Accounting Policies on the profit and loss is an decrease of R400 000 in the surplus for the financial year 2012/13 and the nature of the changes in the Accounting Policies is as follows:		
- GRAP 09 Revenue from Exchange Transactions	-	400 000
Total Decrease / (Increase) in Surplus as at 30 June	-	400 000

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2012, but the Accumulated Surplus as at 30 June 2013 has decreased by R400 000.

34 CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.

Details of the appropriations are as follows:

Opening balance surplus account (excluding Surplus/Deficit)	5 520 993	3 352 226
Published Surplus / (deficit) for the year	(8 952 716)	3 278 436
Unappropriated Surplus Account:		
Correction of Payables from Exchange Transactions	-	(709 669)
Increase / (Decrease) in Unappropriated Surplus Account - Correction of error	-	(709 669)
Increase / (Decrease) in Unappropriated Surplus Account - Change in Accounting Policies - Note 33		(400 000)
Closing balance Surplus Account	(3 431 723)	5 520 993

Nature

Trade Creditors

1) During the preparation of the 2013/2014 annual financial statements it was noted that the outstanding SARS PAYE on 30 June 2013 was R676 357 and did not agree with the SARS PAYE Trade Creditor of R391 712 which was included in the creditor's list. Therefore the difference of R284 645 was retrospectively corrected to increase the PAYE Trade Creditor on 30 June 2013 to R676 357.

2) During the preparation of the 2013/2014 annual financial statements it was noted that ZFM do not receive any assessments from the Compensation Commissioner. ZFM appointed a specialised consultant to obtain these assessments from the Compensation Commissioner and it was noted that ZFM had an outstanding amount of R425 024 on 30 June 2013. Therefore Trade Creditors were retrospectively corrected.

34.1 Reclassification of Revenue

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Expenditure of the Municipality.

The effect of the Correction of Error is as follows:

		2012/13 Expenditure	Adjustment	Restated Amount
Rental Of Facilities And Equipment	Note 20	(141 070)	113 882	(27 188)
Other Income	Note 22	(2 516 746)	286 118	(2 230 628)
		(2 657 816)	400 000	(2 257 816)

Nature

Rental Of Facilities And Equipment

Correction of error: Insurance claims received of R113 882 were incorrectly classified in the 2012/2013 financial year as revenue from Rental Of Facilities And Equipment. In the 2013/14 financial year Insurance Claims Received were retrospectively classified under Other Income in the Statement of Financial Performance.

Other Income

1) Correction of error: Insurance claims received of R113 882 were incorrectly classified in the 2012/2013 financial year as revenue from Rental Of Facilities And Equipment. In the 2013/14 financial year Insurance Claims Received were retrospectively classified under Other Income in the Statement of Financial Performance.

2) Change in Accounting Policy: During the preparation of the 2013/2014 annual financial statements it was decided to control the support income received from Local Municipalities rather through suspense accounts and not allocating the money directly to Other Income. Support money of R400 000 was received from Tsantsabane Local Municipality in 2012/13 financial year and was treated as Other Income in the Statement of Financial Performance. In the 2012/13 Service Level Agreement nothing was mentioned that ZFM District Municipality must pay back the support money received and therefore no liability existed on 30 June 2013. In the 2013/14 financial year the Other Income and Other Creditors were retrospectively corrected due to the decision taken in the current financial year.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

34.2 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the Municipality.

The effect of the Correction of Error is as follows:

		2012/13 Expenditure	Adjustment	Restated Amount
Employee Related Costs	Note 23	34 176 989	(282 022)	34 459 010
Remuneration of Councillors	Note 24	2 909 505	(2 240)	2 911 745
Grants and Subsidies Paid	Note 29	3 544 561	(383)	3 544 944
General Expenses	Note 30	12 571 026	(425 024)	12 996 050
		53 202 081	(709 669)	53 911 750

Nature

Employee Related Costs / Remuneration of Councillors / Grants and Subsidies Paid

1) During the preparation of the 2013/2014 annual financial statements it was noted that the outstanding SARS PAYE on 30 June 2013 was R676 357 and did not agree with the SARS PAYE Trade Creditor of R391 712 which was included in the creditor's list. Therefore the difference of R284 645 was retrospectively corrected to increase the PAYE Trade Creditor on 30 June 2013 to R676 357.

General Expenses

During the preparation of the 2013/2014 annual financial statements it was noted that ZFM do not receive any assessments from the Compensation Commissioner. ZFM appointed a specialised consultant to obtain these assessments from the Compensation Commissioner and it was noted that ZFM had an outstanding amount of R425 024 on 30 June 2013. Therefore Trade Creditors were retrospectively corrected.

34.3 Reclassification of Statement of Financial Position

The prior year balances of items on the Statement of Financial Position have been restated to correctly

The effect of the Correction of Error is as follows:

		2012/13 Financial Position	Adjustment	Restated Amount
Liabilities				
Payables from Exchange Transactions	Note 11	(2 939 448)	(1 109 669)	(4 049 117)
Payables from Non-Exchange Transactions	Note 12	(4 601 614)	-	(4 601 614)
		(7 541 062)	(1 109 669)	(8 650 731)

Nature

Payables from Exchange Transactions

1) Change in Accounting Policy: During the preparation of the 2013/2014 annual financial statements it was decided to control the support income received from Local Municipalities rather through suspense accounts and not allocating the money directly to Other Income. Support money of R400 000 was received from Tsantsabane Local Municipality in 2012/13 financial year and was treated as Other Income in the Statement of Financial Performance. In the 2012/13 Service Level Agreement nothing was mentioned that ZFM District Municipality must pay back the support money received and therefore no liability existed on 30 June 2013. In the 2013/14 financial year the Other Income and Other Creditors were retrospectively corrected due to the decision taken in the current financial year.

2) Correction of error: During the preparation of the 2013/2014 annual financial statements it was noted that the outstanding SARS PAYE on 30 June 2013 was R676 357 and did not agree with the SARS PAYE Trade Creditor of R391 712 which was included in the creditor's list. Therefore the difference of R284 645 was retrospectively corrected to increase the PAYE Trade Creditor on 30 June 2013 to R676 357.

3) During the preparation of the 2013/2014 annual financial statements it was noted that ZFM do not receive any assessments from the Compensation Commissioner. ZFM appointed a specialised consultant to obtain these assessments from the Compensation Commissioner and it was noted that ZFM had an outstanding amount of R425 024 on 30 June 2013. Therefore Trade Creditors were retrospectively corrected.

35 CHANGE IN ACCOUNTING ESTIMATES

35.1 Depreciation Expenditure:

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2013 and no changes were made for the 2012/13 financial year.

Adjustments were made to the remaining useful lives in the current year and affected the amount of depreciation for the 2011/12 financial year. The adjustments are as follows:

Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(57 415)	(15 165)
Increase / (Decrease) in Depreciation of PPE	(57 415)	(15 165)
Depreciation as previously stated	1 143 930	1 530 713
Adjustment due to Change in Accounting Estimate	(57 415)	(15 165)
Depreciation as per Note 25	1 086 515	1 515 548

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
36 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(8 952 716)	3 278 436
Adjustment for:		
Correction of Prior Year Errors (refer Note 34)	-	(709 669)
Change in Accounting Policy (refer Note 33)	-	(400 000)
Depreciation and Amortisation	1 086 515	1 515 548
Loss / (Gains) on Disposal of Property, Plant and Equipment - Continuing Operations	497 574	546 991
Loss / (Gains) on Transfer of Property, Plant and Equipment - Discontinued Operations	6 641 544	1 543 539
Loss / (Gains) on Write-off of Intangible Assets	735	1 665
Property, Plant and Equipment transferred to Assets Held-for-Sale	2 200 000	-
Impairment Loss on reclassification of Property, Plant and Equipment to Assets-Held-for-Sale	453 197	-
Contribution to Employee Benefit Liabilities	1 393 494	3 467 687
Expenditure incurred from Employee Benefit Liabilities	(1 443 862)	(1 435 957)
Contribution to Provisions - Current	564 780	608 637
Expenditure incurred from Provisions - Current	(351 353)	(371 493)
Contribution to Impairment Provision	-	(811 099)
VAT Receivable Written-off	900 909	-
Operating surplus before working capital changes	2 990 816	7 234 285
Decrease/(Increase) in Inventories	47 502	9 348
Decrease/(Increase) in Non-Current Assets Held-for-Sale	(2 200 000)	-
Decrease/(Increase) in Receivables from Exchange Transactions	(90 296)	20 767
Decrease/(Increase) in Receivables from Non-exchange Transactions	-	1 927 862
Decrease/(Increase) in VAT Receivable	2 223 340	(366 463)
Decrease/(Increase) in Current Portion of Finance Lease Receivables	(140)	4 024
Increase/(Decrease) in Payables from Exchange Transactions	(686 267)	856 575
Increase/(Decrease) in Payables from Non-Exchange Transactions	(1 312 003)	3 298 188
Increase/(Decrease) in Conditional Grants and Receipts	(352 778)	(2 985 190)
Cash generated by / (utilised in) Operations	620 174	9 999 395

37 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

37.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	-	-
Unauthorised Expenditure current year (refer to detail below)	-	-
Expenditure investigated and approved by Council	-	-
Unauthorised Expenditure awaiting authorisation	-	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted Expenditure votes exceeded:-</i>	
- Executive and Council - R0 (2013: R0)	None
- Budget and Treasury Office - R0 (2013: R0)	None
- Corporate Services - R0 (2013: R0)	None
- Municipal Support - R0 (2013: R0)	None

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

37.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	-	-
Fruitless and Wasteful Expenditure current year	15 868	20 968
Expenditure investigated and approved by Council	(15 868)	(20 968)
Fruitless and Wasteful Expenditure awaiting condonement	<u>-</u>	<u>-</u>

Fruitless and Wasteful Expenditure summary for 2013/14 financial year.:

Incident	Disciplinary Steps	Amount
Compensation Commissioner: During the preparation of the 2013/2014 annual financial statements it was noted that ZFM do not receive any assessments from the Compensation Commissioner after regular interactions with them. ZFM appointed a specialised consultant to obtain these assessments from the Compensation Commissioner and it was noted that ZFM had an outstanding amount of R728 677 which include interest and penalties of R15 888. R9 758 relating to current year and R6 110 relating to prior year but was identified in the current year.	Investigated and no disciplinary steps to be taken by Council	15 868
Total:		<u>15 868</u>

2014
R

2013
R

37.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	3 959 783	3 926 517
Irregular Expenditure current year	-	76 926
Expenditure investigated, approved and condoned by Council	-	-
To be recovered – contingent asset (see Note 44)	-	(43 659)
Irregular Expenditure awaiting condonement from National Treasury	<u>3 959 783</u>	<u>3 959 783</u>

Condonement of 2012/13 Irregular expenses:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations. ZFM District Municipality has investigated all irregular expenditures and no official was liable for these expenses after the investigation. Therefore a debt cannot be created. Each instance and reason for the items that lead to irregular expenditure were, after investigation, presented to Council. Council agreed with ZFM that no person or entity should be held liable for the irregular expenditure that was incurred. The municipality is now busy with the condonement process with National Treasury to condone these irregular expenses.

There were no Irregular Expenditure for the 2013/14 financial year.

2014
R

2013
R

38 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

38.1 Contributions to organised local government - SALGA

Opening Balance	-	58 053
Council Subscriptions	450 000	400 000
Amount Paid - current year	(450 000)	(458 053)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

38.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee (VAT excluded)	1 699 231	1 662 336
Amount Paid - current year (VAT excluded)	(1 699 231)	(1 662 336)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

38.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

38.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	5 354 565	5 149 110
Amount Paid - current year	(5 354 565)	(5 149 110)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
38.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	4 589 980	4 182 859
Amount Paid - current year	(4 589 980)	(4 182 859)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

38.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

38.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

38.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were submitted to Council quarterly, which condoned the various cases.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Successful Tenderer	Occasions	Reason	Amount
CORPORATE SERVICES	Various	3	Impractical to obtain 3 quotations	44 920
	Various	5	Single provider only	26 638
	US	1	Impractical for procurement processes	233 597
	Rosedale Catering	1	Emergency	3 000
10 Occasions during the year amounts to R308 154				
FINANCE	Various	7	Impractical to obtain 3 quotations	43 737
	Various	7	Single provider only	74 683
	Various	3	Impractical for procurement processes	16 474
17 Occasions during the year amounts to R134 893				
IT	Various	4	Impractical to obtain 3 quotations	28 150
	Various	2	Single provider only	15 500
	SAMRAS	1	Impractical for procurement processes	317 251
7 Occasions during the year amounts to R360 900				
MAYOR'S OFFICE	Eurocar	1	Single provider only	23 859
1 Occasions during the year amounts to R23 859				
MUNICIPAL SUPPORT	Various	4	Single provider only	23 184
	Various	3	Impractical to obtain 3 quotations	385 508
7 Occasions during the year amounts to R408 692				
MUNICIPAL MANAGER	Eurocar	1	Single provider only	8 193
1 Occasions during the year amounts to R8 193				
Total:				<u><u>1 244 692</u></u>

38.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

The Electricity and Water functions were transferred to the local municipalities. Thus no material Electricity and Water Losses occurred.

39 COMMITMENTS FOR EXPENDITURE

39.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure
Other

-	25 216
-	25 216
-	-

- Approved but Not Yet Contracted for:-

Infrastructure
Other

-	-
-	-
-	-

Total Capital Commitments

<u>-</u>	<u>25 216</u>
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This expenditure will be financed from:

Government Grants

-	25 216
<u>-</u>	<u>25 216</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

39.2 Lease Commitments

Finance Lease Liabilities are disclosed in Notes 14 .

39.3 Other Commitments

The Municipality has an agreement with URB Klank & Beeld to rent and maintenance a telephone system from 1 July 2014 to 30 June 2019. There are no annual escalations and the total tender value of R2 727 600 was awarded in February 2014 . URB Klank & Beeld was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

		2014	2013
		R	R
40 FINANCIAL INSTRUMENTS			
40.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
Finance Lease Receivables			
Housing Selling Scheme Loans	Amortised cost	77 738	84 956
Receivables from Exchange Transactions			
Other Receivables	Amortised cost	122 395	32 099
Cash and Cash Equivalents			
Call Deposits	Fair value	1 685 679	1 139 123
Bank Balances	Fair value	1 513 170	3 782 049
Cash Floats and Advances	Fair value	12 800	2 584
Current Portion of Long-term Receivables			
Housing Selling Scheme Loans	Amortised cost	9 267	9 127
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Finance Lease Receivables	Housing Selling Scheme Loans	77 738	84 956
Receivables from Exchange Transactions	Other Debtors	122 395	32 099
Receivables from Non-exchange Transactions	Government Subsidy Claims	-	-
Current Portion of Long-term Receivables	Housing Selling Scheme Loans	9 267	9 127
		209 399	126 182
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Call Deposits	1 685 679	1 139 123
Cash and Cash Equivalents	Bank Balances	1 513 170	3 782 049
Cash and Cash Equivalents	Cash Floats and Advances	12 800	2 584
		3 211 650	4 923 755
Total Financial Assets		3 421 049	5 049 938
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
	<u>Financial Liabilities</u>	<u>Classification</u>	
Long-term Liabilities			
Annuity Loans	Amortised cost	583 672	1 484 548
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	3 065 374	3 066 758
Retentions	Amortised cost	297 476	582 358
Suspense Accounts - Support	Amortised cost	-	400 000

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

<u>Financial Liabilities</u>	<u>Classification</u>	2014 R	2013 R
Payables from Non-Exchange Transactions			
Staff Leave Accrued	Amortised cost	1 605 797	1 476 074
Suspense Accounts - Kgotso Pula Nala Project	Amortised cost	1 412 294	3 124 840
Suspense Accounts - Bloodhound Project	Amortised cost	270 820	-
Other Creditors	Amortised cost	700	700
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	890 087	1 075 833
Finance Lease Liabilities	Amortised cost	-	4 160
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	583 672	1 484 548
Long-term Liabilities	Finance Lease Liabilities	-	-
Payables from Exchange Transactions	Trade Creditors	3 065 374	3 066 758
Payables from Exchange Transactions	Suspense Accounts - Support		400 000
Payables from Exchange Transactions	Retentions	297 476	582 358
Payables from Non-Exchange Transactions	Staff Leave Accrued	1 605 797	1 476 074
Payables from Non-Exchange Transactions	Suspense Acc. - Kgotso Pula Nala Project	1 412 294	3 124 840
Payables from Non-Exchange Transactions	Suspense Acc. - Bloodhound Project	270 820	-
Payables from Non-Exchange Transactions	Other Creditors	700	700
Current Portion of Long-term Liabilities	Annuity Loans	890 087	1 075 833
Current Portion of Long-term Liabilities	Finance Lease Liabilities	-	4 160
Total Financial Liabilities		8 126 220	11 215 272

40.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2014, as a result of the short-term maturity of these assets and liabilities.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2014		30 June 2013	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	209 399	209 399	126 182	126 182
Finance Lease Receivables	77 738	77 738	84 956	84 956
Trade Receivables from Exchange Transactions	122 395	122 395	32 099	32 099
Current Portion of Long-term Receivables	9 267	9 267	9 127	9 127
Measured at Fair Value	3 211 650	3 211 650	4 923 755	4 923 755
Call Deposits	1 685 679	1 685 679	1 139 123	1 139 123
Bank Balances and Cash	1 525 970	1 525 970	3 784 633	3 784 633
Total Financial Assets	3 421 049	3 421 049	5 049 938	5 049 938
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	8 126 220	8 126 220	11 215 272	11 215 272
Annuity Loans	583 672	583 672	1 484 548	1 484 548
Payables from Exchange Transactions	3 362 850	3 362 850	4 049 117	4 049 117
Payables from Non-Exchange Transactions	3 289 611	3 289 611	4 601 614	4 601 614
Current Portion of Long-term Liabilities	890 087	890 087	1 079 993	1 079 993
Total Financial Instruments	(4 705 171)	(4 705 171)	(6 165 335)	(6 165 335)
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2014

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	1 685 679	-	1 685 679
Bank Balances and Cash	-	1 525 970	-	1 525 970
Total Financial Assets	-	3 211 650	-	3 211 650
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
No Financial Liabilities at Fair Value	-	-	-	-
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	3 211 650	-	3 211 650

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2013

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	1 139 123	-	1 139 123
Bank Balances and Cash	-	3 784 633	-	3 784 633
Total Financial Assets	-	4 923 755	-	4 923 755
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
No Financial Liabilities at Fair Value	-	-	-	-
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	4 923 755	-	4 923 755

40.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities, Accumulated Surplus and the Statement of Changes in Net Assets.

Gearing Ratio

The municipality considers the cost of capital and the risks associated with each class of capital. The Municipality do not borrow money for any operational activities and therefore the cash and cash equivalents exceeds total debt.

	2014 R	2013 R
The gearing ratio at the year-end was as follows:		
Debt	1 473 760	2 564 541
Cash and Cash Equivalents	(3 211 650)	(4 923 755)
Net Debt / (Cash Available)	(1 737 890)	(2 359 214)
Equity	(3 431 723)	5 520 994
Net debt to equity ratio	(50.64%)	42.73%

Debt is defined as Long- and Short-term Liabilities, as detailed in Notes 15.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

40.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

40.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

40.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

40.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

40.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, Finance Lease Receivable and loan payables. The Entity is not exposed to interest rate risk on these financial instruments, as the rates applicable are fixed interest rates.

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date.

		2014 R	2013 R
Interest received			
Interest Earned - Outstanding Debtors (Excluding once-off VAT Receivable interest)		-	5 279
Interest Earned - External Investments		360 956	300 287
		<u>360 956</u>	<u>305 567</u>
Average Interest rate			
		<u>4%</u>	<u>3%</u>
Effect of a change in interest rate on interest received:			
Effect of change in interest rate	%	1%	1%
Effect of change in interest rate	Rand value	89 595	108 890
		<u>89 595</u>	<u>108 890</u>
Effect of change in interest rate			
Effect of change in interest rate	%	2%	2%
Effect of change in interest rate	Rand value	179 190	217 780
		<u>179 190</u>	<u>217 780</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
<u>Financial Liabilities</u>	<u>Classification</u>		
Interest paid			
Long-term Liabilities		219 900	325 887
Interest rate %		10%	10%
Effect of a change in interest rate on interest paid:			
Effect of change in interest rate	%	1%	1%
Effect of change in interest rate	Rand value	21 990	32 560
Effect of change in interest rate	%	2%	2%
Effect of change in interest rate	Rand value	43 980	65 119

40.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors were transferred to the Local Municipalities.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a small number of trade debtors, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2014 R	2013 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Finance Lease Receivables	77 738	84 956
Receivables from Exchange Transactions	158 771	68 475
Bank, Cash and Cash Equivalents	3 211 650	4 923 755
Maximum Credit and Interest Risk Exposure	3 448 158	5 077 187

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

40 FINANCIAL INSTRUMENTS (Continued)

40.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Included in Note 44 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. Interest payable is linked to the prime interest rate.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Financial Liabilities

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2014								
Non-interest Bearing		0.00%	6 652 461	6 652 461	-	-	-	-
- Payables from Exchange Transactions	11		3 362 850	3 362 850	-	-	-	-
- Payables from Non-Exchange Transactions	12		3 289 611	3 289 611	-	-	-	-
Fixed Interest Rate Instruments		10.00%	1 473 760	-	890 087	583 672	-	-
- DBSA	15		1 473 760	-	890 087	583 672	-	-
		10.00%	8 126 220	6 652 461	890 087	583 672	-	-
30 June 2013								
Non-interest Bearing		0.00%	8 650 731	8 650 731	-	-	-	-
- Payables from Exchange Transactions	11		4 049 117	4 049 117	-	-	-	-
- Payables from Non-Exchange Transactions	12		4 601 614	4 601 614	-	-	-	-
Variable Interest Rate Instruments		15.50%	4 160	-	4 160	-	-	-
- Finance Leases	15		4 160	-	4 160	-	-	-
Fixed Interest Rate Instruments		10.00%	2 560 381	-	1 075 833	1 484 548	-	-
- DBSA			2 560 381	-	1 075 833	1 484 548	-	-
		10.01%	11 215 272	8 650 731	1 079 993	1 484 548	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Financial Assets

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2014								
Non-interest Bearing		0.00%	122 395	122 395	-	-	-	-
- Trade Receivables from Exchange Transactions	3		122 395	122 395	-	-	-	-
Variable Interest Rate Instruments		4.00%	3 211 650	3 211 650	-	-	-	-
- Call Deposits	6	5.38%	1 685 679	1 685 679	-	-	-	-
- Petty Cash	6	0.12%	12 800	12 800	-	-	-	-
- Bank Account	6	2.50%	1 513 170	1 513 170	-	-	-	-
Fixed Interest Rate Instruments		5.00%	87 005	87 005	-	-	-	-
- Finance Lease Receivables	9		87 005	87 005	-	-	-	-
		4.03%	3 421 049	3 421 049	-	-	-	-
30 June 2013								
Non-interest Bearing		0.00%	32 099	32 099	-	-	-	-
- Trade Receivables from Exchange Transactions	3		32 099	32 099	-	-	-	-
Variable Interest Rate Instruments		2.76%	4 923 755	4 923 755	-	-	-	-
- Call Deposits		5.31%	1 139 123	1 139 123	-	-	-	-
- Petty Cash	6	0.12%	2 584	2 584	-	-	-	-
- Bank Account		2.00%	3 782 049	3 782 049	-	-	-	-
Fixed Interest Rate Instruments	9	5.00%	94 083	94 083	-	-	-	-
- Finance Lease Receivables			94 083	94 083	-	-	-	-
		2.81%	5 049 938	5 049 938	-	-	-	-

40.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

41 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All Councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where Councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the Municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R 1 253 241 (2013: R1 288 086) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

Defined Benefit Scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2012 disclosed an actuarial valuation amounting to R3 014 878 (2011: R2 971 150) million, with a net accumulated deficit of R18 287 (2011: R58 935) million, with a funding level of 99.4% (2011: 104.1%).

Defined Contribution Scheme

The actuarial valuation report at 30 June 2012 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R 421 900 (2011: R386 570) million, net investment reserve of R21 231 (2011: R15 285) million and a funding level of 105.3% (2011: 104.1%).

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R10 775 599 and R546 059 (30 June 2011: R9 930,837 in total) million, with funding levels of 99.9% and 108% (2011: 100.3% and 116.9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The last statutory valuation was performed as at 30 June 2011.

The interim valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R1 041 (30 June 2010: R1 483) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The net assets available for benefits were R2 456 (2005: R1 511) million.

The statutory valuation performed as at 30 June 2008 revealed that the fund had a deficit of R0 (30 June 2005: R0), with a funding level of 100% (30 June 2007: 100%). Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

42 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

42.1 Interest of Related Parties

Councillors and/or Management of the Municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
G. Van Staden	Mayor	1) Director at Upington Convenience Centre (Pty)Ltd 2) Director at SA Soutwerke (Pty) Ltd 3) Director at Upington Supersout (Pty) Ltd 4) Director at Kwari Ya Letswei (Pty) Ltd 5) Director at Gold Tune 30 (Pty) Ltd
G.H. Mothibi	Councillor	1) Director at Tsantsabane Social and Labour Development Forum 2) Director at Northern Cape Mining Logistics and Services (Pty) Ltd 3) Director at Charofor (Pty) Ltd
E. Mnyaka	Councillor	Director at Rosedale Skills Development and Innovation
E. Ntoba	Municipal Manager	Director at Ntoba Trading (Pty) Ltd
H. Combrinck	Middle Manager	Director at Kalahari Kuierfees
G. Mnganga	Middle Manager	Director at Mnganga civil and property developers (Pty) Ltd
J. Willemse	Middle Manager	Member at Black Sparrow Trading CC
B.Van Kratenburg	Middle Manager	Director at BMD trading (Pty) Ltd
J.Van Wyk	Middle Manager	Director at JVW Group (Pty) Ltd

The following Councillors and/or Management of the Municipality was in businesses but resigned from the business:

Name of Related Person	Designation	Description of Related Party Relationship
G. Van Staden	Mayor	1) Member of Rainbow Moon Trading 25 2) Member of Upgro Local Business Service Centre
P. Kotze	Councillor	South African Meat Industry Company
H. Combrick	Middle Manager	Member of Tumelo Youth Farm CC
J. Nengome	Middle Manager	Member of Sedzaphanda Building Construction CC

The following Councillors and/or Management of the Municipality have relationships with businesses in final deregistration:

Name of Related Person	Designation	Description of Related Party Relationship
G. Van Staden	Mayor	Director at Siyanda Economic Development
Z.S. Mjila	Speaker	Member at Henbase 2584 CC
B. Bock	Councillor	Member at BM Bock Construction and Community Development CC
B. Sinxeve	Councillor	Member at Kakamas Construction CC
P. Wetbooi	Councillor	Member at Scenic Route Trading 246 CC
D.L. De Wee	Councillor	Member at Catherine's Trading CC
A.M. Isaacs	Councillor	Member at Hoezit's Entertainment Enterprise CC
E. Ntoba	Municipal Manager	Member at Abaphumeleli Trading 873 CC
H. Combrinck	Middle Manager	Director at Northern Cape Youth Development Agency
G. Mnganga	Middle Manager	Member at Rehoboth MG Civil Services
G. Cloete	Middle Manager	Member at BC2S Construction Consulting and Trading Services CC
J. Willemse	Middle Manager	Member at Brainwave Projects 1567 CC

The following Councillors and/or Management of the Municipality have relationships with businesses but resigned from the Municipality in December 2013:

J. Coetzee	Middle Manager	Member at M2G Architectural Studio (businesses in final deregistration)
D. Nxanga	Municipal Manager	Member at Ditsa DA RA Properties CC (businesses in final deregistration)

The following Councillors and/or Management of the Municipality have no relationships with businesses:

Name of Related Person	Designation	Description of Related Party Relationship
C. Tities	Councillor	No relationship with businesses
K.W. Dodds	Councillor	No relationship with businesses
A. De Bruin	Councillor	No relationship with businesses
D.Z. Ntlanganiso	Councillor	No relationship with businesses
S.P. May	Councillor	No relationship with businesses
J. Assegai	Councillor	No relationship with businesses
J. Thomas	Councillor	No relationship with businesses

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Name of Related Person	Designation	Description of Related Party Relationship
S. Esau	Councillor	No relationship with businesses
M. Mabilo	Councillor	No relationship with businesses
M. Oliphant	Councillor	No relationship with businesses
P.M. Mgcera	Councillor	No relationship with businesses
J.G. Lategan	Director	No relationship with businesses
P. Beukes	Director	No relationship with businesses
D.J. Van Zyl	Director	No relationship with businesses
A. Kitching	Middle Manager	No relationship with businesses
M. Makibi	Middle Manager	No relationship with businesses
S. Titus	Middle Manager	No relationship with businesses
A. Tities	Middle Manager	No relationship with businesses
D. Lekanyane	Middle Manager	No relationship with businesses
F.P. Ruppig	Middle Manager	No relationship with businesses
P.B. Feris	Middle Manager	No relationship with businesses
J. Shorty	Middle Manager	No relationship with businesses
T. Job	Middle Manager	No relationship with businesses
E. Steenkamp	Middle Manager	No relationship with businesses
M. Manye	Middle Manager	No relationship with businesses
H. Theron	Middle Manager	No relationship with businesses
M. Mathe	Middle Manager	No relationship with businesses
B. Knouwds	Middle Manager	No relationship with businesses
F. Strauss	Middle Manager	No relationship with businesses
G. Present	Middle Manager	No relationship with businesses
R. Snyders	Middle Manager	No relationship with businesses
E. Van der Westhuizen	Middle Manager	No relationship with businesses
J. Visagie	Middle Manager	No relationship with businesses
C. Malgas	Middle Manager	No relationship with businesses
A. Phete	Middle Manager	No relationship with businesses
P. Montshiwa	Middle Manager	No relationship with businesses
E.R. Britz	Middle Manager	No relationship with businesses

42.2 Services rendered to Related Parties

The Municipality did not render any services during the year to anyone that can be considered as a related party.

42.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by ZFM District Municipality.

42.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

42.5 Purchases from Related Parties

The Municipality did not purchase goods from anyone during the year that can be considered as a related party.

	2014	2013
	R	R
43 CONTINGENT LIABILITIES		
43.1 Court Proceedings:	822 417	391 330
ZF Mgcawu District Municipality / CHM Car Hire: Claim against the Municipality handled by Becker, Bergh & More. Settlement on capital amount of R66 000 was paid. Legal cost for claimant's attorneys outstanding in the amount of R131 329.84. Possible obligation to the Municipality.	-	131 330
ZF Mgcawu District Municipality Wage Curve Collective Agreement : Claim against SALGA which presents the municipalities. Currently the amount of the obligation cannot be measured with sufficient reliability. No benchmarking has taken place but a steering committee has been established to start the process. ZFM is uncertain about the time and amount that will be paid out. Possible obligation to the Municipality.	822 417	260 000
Government Handbook: Claim against the Municipality handled by Becker, Bergh & More regarding a cancellation of a contract. The attorneys suggested that the matter will be defended as the signatory of the contract had no authority. Possible obligation to the Municipality.	20 000	-

ZF MGCWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
44 CONTINGENT ASSETS		
44.1 Insurance Claims:	8 699	8 242
(i) Lost / Damaged Assets: The Municipality has claims outstanding against its Insurers for lost and/or damaged assets. Management believe that it is probable that the claims will be successful and that compensation of R8 699 will be recovered.	8 699	8 242
44.2 Court Proceedings:	135 699	662 850
(i) ZF Mgcawu Plant Hire t/a Amber Cascades Trading CC: The Municipality is suing ZF Mgcawu Plant Hire t/a Amber Cascades Trading CC in respect of a payment made to the contractor for services not delivered by them.	-	435 820
(ii) DV Konstruksie The Municipality is suing DV Konstruksie in respect of a payment made to the contractor for services not delivered by them.	55 664	55 664
(iii) Themba Links The Municipality is suing Themba Links in respect of outstanding debt.	-	47 803
(iv) ALFA Paneelkloppers The Municipality is suing ALFA Paneelkloppers in respect of previous rent not charged.	36 376	77 032
(v) Khalahari Afslaers The Municipality is suing Khalahari Afslaers in respect of previous auction monies not paid over.	-	2 872
(vi) NASHUA The Municipality is suing NASHUA in respect of monies paid on expired contracts.	43 659	43 659
45 IN-KIND DONATIONS AND ASSISTANCE		
The Municipality did not receive any In-kind Donations and Assistance during the year under review.		
46 PRIVATE PUBLIC PARTNERSHIPS		
The Municipality was not a party to any Private Public Partnerships during the year under review.		
47 EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2014.		
48 COMPARATIVE FIGURES		
The comparative figures were restated as a result of the effect of Changes in Accounting Estimates (Note 35) and Prior Period Errors (Note 34).		
49 MANAGEMENT'S GOING CONCERN ASSESSMENT		
Management considered the following matters in relation to the Going Concern position of ZF Mgcawu:		
(i) On 29 May 2014 Council adopted the 2014/15 to 2016/17 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) fund the on-going municipal support that will be rendered to our local municipalities and reflected that the Budget was cash-backed over the three-year period.		
(ii) The Municipality's Budget was subjected to an independent assessment process by Provincial Treasury to assess its cash-backing status and other budgetary key performance indicators. The outcome of the cash back assessment was positive.		
(iii) Strict daily cash management processes are embedded in the Municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by regular reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. Cash flow reporting has been refined by building in cash back figures to portray the net cash flow positions on a daily basis.		
(iv) The Municipality developed a cost containment and budget monitoring yardstick in order to measure operational and capital budget performance on a monthly basis. No cash flow challenges are experienced because cash flow projections are compiled for the payment sequences of the equitable share which is our largest portion of operational revenue source. The Municipality has no bank overdraft facility to cover short term cash shortfalls as and when the need arises.		
(v) The Municipality is in a material sense grant dependent and renders mainly support to local municipalities in the ZF Mgcawu district. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions are instituted.		
(vi) An operational efficiency plan has been develop by Management to ensure that operations are effected in the most cost-effective manner possible whilst still ensuring that quality is not compromised.		

ZF MGCAWU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- (vii) The main reasons for the deficit of 8 952 716 for the 2013/14 financial year are due to the following once off expenditures:
- An Infrastructure project (Sewer Network) was completed on behalf of Kai Garib Local Municipality. On completion date the project was transferred to Kai Garib Local Municipality and an expense of R6 641 544 realised in the current financial year which is also a non-cash item. The majority of this project were spent in 2012/13 financial year and therefore the unspent grant income realised in 2012/13 financial year as ZFM District Municipality incurred expenses on the project.
 - During the 2013/14 financial year ZFM was audited by SARS due to the high VAT Receivable on the SARS statements . After the audit the VAT Receivable decreased by R900 909 due to VAT incorrectly claimed previously. Therefore VAT Receivables were impaired and R900 909 was recognised as an expense in the Statement of Financial Performance.
 - During the 2013/14 financial year ZFM transferred Land and Buildings to Non-Current-Assets-Held-for-Sale. At the date of the transfer ZFM has classified asset-held-for-sale at the lower of its carrying amount and fair value less costs to sell. The fair value less cost to sell was R453 197 below its carrying value and was recognised as an impairment expense in the Statement of Financial Performance.
 - During the 2013/14 financial year ZFM disposed fleet vehicles. The net loss on disposal of PPE recognised in the Statement of Financial Performance was R 447 635.
 - The defecit after taking into account the above differences is R957 066.
- (viii) The DBSA loans will be paid in full by December 2015 and ZFM will save on the total annual installments of approxiamately R890 087 per annum.
- (ix) A marketing document has been developed by Management to obtain funds from external parties to increase our revenue resources in order to render better services to the Local Municipalities in the district.

Taking the aforementioned into account, Management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
ZF MGCAWU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2013	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2014
	R				R	R	R	R
ANNUITY LOANS								
Annuity Loan: Kalksloot Sewerage	556 896	10.00%	9749/103	30/04/2016	70 600	-	(70 600)	-
Annuity Loan: Groblershoop Sewerage	714 152	10.00%	9750/103	30/04/2016	90 929	-	(90 929)	-
Annuity Loan: Cillie Sewerage	598 648	10.00%	9752/102	30/04/2016	116 953	-	(76 054)	40 899
Annuity Loan: Lutzburg Sewerage	588 908	10.00%	9753/102	30/04/2016	74 949	-	(74 949)	-
Annuity Loan: Neilersdrift Sewerage	391 494	10.00%	9754/102	30/04/2016	103 657	-	(49 302)	54 355
Annuity Loan: Groblershoop water	729 766	10.00%	9755/102	30/04/2016	355 061	-	(76 235)	278 827
Annuity Loan: Tlhakalatlou Sewerage	3 245 000	10.00%	10080/105	30/04/2016	700 692	-	(259 940)	440 751
Annuity Loan: Boichoko Postmasburg	5 230 000	10.00%	10084/103	30/04/2016	1 047 540	-	(388 613)	658 927
Total Annuity Loans	12 054 864				2 560 381	-	(1 086 622)	1 473 760
CAPITAL LEASE LIABILITIES								
Finance Leases: Nashua Printer -	175 267	15.50%	M5084301439	07/2013	4 160	-	(4 160)	-
Total Capital Lease Liabilities	2 642 437				4 160	-	(4 160)	-
TOTAL EXTERNAL LOANS	14 697 301				2 564 541	-	(1 090 781)	1 473 760

Annuity Loan: Kalksloot Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Kalksloot Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Groblershoop Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Groblershoop Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Cillie Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Groblershoop Water Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Cillie Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Cillie Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Lutzburg Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Lutzburg Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Neilersdrift Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Neilersdrift Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Groblershoop water

Structured unsecured 20 year loan for provision of infrastructure: Groblershoop water Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Tlhakalatlou Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Tlhakalatlou Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Boichoko Postmasburg

Structured unsecured 20 year loan for provision of infrastructure: Boichoko Postmasburg Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

APPENDIX B
ZF MGCAWU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2014
	Opening Balance	Additions	Under Construction Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Land	18 516 000	-	-	(540 000)	-	17 976 000	-	-	-	-	-	17 976 000	-
Building	4 328 352	-	-	(2 272 352)	-	2 056 000	927 264	95 411	(159 155)	-	863 520	1 192 480	-
	22 844 352	-	-	(2 812 352)	-	20 032 000	927 264	95 411	(159 155)	-	863 520	19 168 480	-
Infrastructure													
Sewer Network	6 164 434	-	477 110	(6 641 544)	-	0	-	-	-	-	-	0	-
Roads Network	-	-	-	-	-	-	-	-	-	-	-	-	-
	6 164 434	-	477 110	(6 641 544)	-	0	-	-	-	-	-	0	-
Leased Assets													
Office Equipment	175 267	-	-	(175 267)	-	0	169 805	800	(170 606)	-	(0)	0	-
	175 267	-	-	(175 267)	-	0	169 805	800	(170 606)	-	(0)	0	-
Other Assets													
Emergency Equipment													
Fire Fighting Equipment	1 800	-	-	-	-	1 800	1 566	17	-	-	1 583	217	-
Medical Equipment	12 600	-	-	-	-	12 600	9 356	1 221	-	-	10 577	2 023	-
Furniture and Fittings													
Cabinets and cupboards	338 881	-	-	-	-	338 881	188 478	57 132	-	-	245 610	93 271	-
Chairs	408 894	4 824	-	(11 797)	-	401 921	252 467	60 830	(9 978)	-	303 319	98 601	-
Furniture	-	-	-	-	-	-	-	447	-	-	447	(447)	-
Other furniture	309 015	12 164	-	(4 655)	-	316 524	193 696	45 380	(3 593)	-	235 484	81 041	-
Tables and desks	491 807	-	-	(15 870)	-	475 937	280 544	80 629	(13 303)	-	347 871	128 066	-
Motor Vehicles:													
Motor Cars	1 668 344	787 659	-	-	(1 333 548)	1 122 455	428 414	143 357	-	(397 913)	173 859	948 597	-
Trucks And Bakkies	824 174	-	-	-	-	824 174	174 161	95 901	-	-	270 062	554 111	-
Office Equipment:													
Computer Hardware	1 074 740	244 732	-	(123 107)	-	1 196 365	682 820	174 896	(96 628)	-	761 087	435 278	-
Office Machines & Other	907 361	38 668	-	(78 905)	-	867 124	541 769	138 517	(65 556)	-	614 730	252 394	-
Printer, Fax, Copier	125 147	-	-	-	-	125 147	5 253	38 345	-	-	43 598	81 549	-
Plant and Equipment:													
Other Equipment	-	-	-	-	-	-	-	59	-	-	59	(59)	-
Other Plant and Equipment	106 451	1 391	-	-	-	107 842	53 487	19 448	-	-	72 935	34 907	-
Radio Equipment	26 909	-	-	-	-	26 909	23 007	400	-	-	23 408	3 501	-
Security Equipment	50 835	83 873	-	-	-	134 708	29 692	18 693	-	-	48 386	86 322	-
Tractor	233 700	-	-	-	-	233 700	147 231	42 066	-	-	189 297	44 403	-
	6 580 658	1 173 310	-	(234 335)	(1 333 548)	6 186 086	3 011 941	917 340	(189 057)	(397 913)	3 342 312	2 843 774	1 963 145
Total PPE	35 764 711	1 173 310	477 110	(9 863 497)	(1 333 548)	26 218 086	4 109 011	1 013 552	(518 818)	(397 913)	4 205 832	22 012 254	1 963 145
Intangible Assets													
Computer Software	291 178	86 296	-	(19 800)	-	357 674	152 151	72 964	(19 065)	-	206 049	151 625	-
Total Intangible Assets	291 178	86 296	-	(19 800)	-	357 674	152 151	72 964	(19 065)	-	206 049	151 625	-
Total Asset Register	36 055 889	1 259 606	477 110	(9 883 297)	(1 333 548)	26 575 760	4 261 162	1 086 515	(537 883)	(397 913)	4 411 881	22 163 879	1 963 145

APPENDIX C
ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	712 858	77 017	-	(63 780)	-	726 095	(461 165)	(101 957)	47 739	-	(515 383)	210 712
<i>Council Administration</i>	116 832	-	-	(5 472)	-	111 360	(70 612)	(19 310)	5 072	-	(84 850)	26 510
<i>Council Services</i>	236 158	43 421	-	(13 483)	-	266 097	(153 880)	(39 366)	11 665	-	(181 581)	84 516
<i>Internal Audit</i>	164 536	20 840	-	(32 365)	-	153 011	(110 974)	(17 031)	21 936	-	(106 069)	46 942
<i>Municipal Manager</i>	191 498	12 755	-	(12 460)	-	191 794	(125 579)	(25 340)	9 066	-	(141 854)	49 941
<i>Risk Management</i>	3 832	-	-	-	-	3 832	(120)	(910)	-	-	(1 030)	2 803
Budget and Treasury Office	2 001 968	836 852	-	(33 429)	(593 835)	2 211 556	(881 621)	(267 046)	23 945	258 373	(866 349)	1 345 207
<i>Asset Management Unit</i>	8 496	12 743	-	(5 998)	-	15 241	(2 227)	(3 935)	-	-	(6 163)	9 079
<i>Financial Services</i>	756 302	7 893	-	(27 431)	-	736 765	(496 732)	(102 118)	23 945	-	(574 904)	161 860
<i>Budget & Treasury Office</i>	-	21 516	-	-	-	21 516	-	(586)	-	-	(586)	20 931
<i>Expenditure Unit</i>	-	231	-	-	-	231	-	(14)	-	-	(14)	218
<i>Supply Chain Management</i>	-	6 809	-	-	-	6 809	-	(1 344)	-	-	(1 344)	5 464
<i>Vehicles</i>	1 237 170	787 659	-	-	(593 835)	1 430 994	(382 662)	(159 049)	-	258 373	(283 339)	1 147 655
Corporate Services	26 032 017	323 422	-	(3 079 486)	(739 713)	22 536 241	(2 165 818)	(563 095)	409 424	139 540	(2 179 949)	20 356 292
<i>Administration</i>	197 004	1 104	-	(24 109)	-	174 000	(139 612)	(20 312)	20 782	-	(139 143)	34 857
<i>Communication & Liaison</i>	422	8 360	-	-	-	8 782	(1)	(413)	-	-	(414)	8 368
<i>Human Resources</i>	1 462 014	-	-	(17 536)	(739 713)	704 765	(360 685)	(105 350)	13 596	139 540	(312 898)	391 867
<i>Information Technology</i>	1 180 326	207 676	-	(200 304)	-	1 187 698	(550 329)	(271 417)	194 769	-	(626 977)	560 721
<i>Property Services</i>	23 183 336	106 282	-	(2 837 537)	-	20 452 081	(1 108 441)	(164 746)	180 277	-	(1 092 910)	19 359 170
<i>Security Services</i>	8 915	-	-	-	-	8 915	(6 749)	(858)	-	-	(7 606)	1 309
Municipal Support	7 309 045	22 316	477 110	(6 706 603)	-	1 101 868	(752 558)	(154 417)	56 775	-	(850 200)	251 668
<i>Community Service Ad</i>	6 164 434	-	477 110	(6 641 544)	-	-	-	-	-	-	-	-
<i>Engineering Services</i>	454 257	-	-	(8 274)	-	445 983	(297 218)	(70 084)	7 262	-	(360 040)	85 943
<i>Environmental Health</i>	198 391	-	-	(18 796)	-	179 595	(138 916)	(19 715)	16 681	-	(141 950)	37 644
<i>Housing Accreditation</i>	131 541	8 202	-	(11 584)	-	128 159	(88 877)	(16 226)	9 825	-	(95 279)	32 880
<i>LED</i>	1 444	-	-	-	-	1 444	(221)	(334)	-	-	(555)	889
<i>Municipal Support Services</i>	109 380	-	-	(13 725)	-	95 655	(73 645)	(14 275)	11 673	-	(76 247)	19 408
<i>Disaster Mangement</i>	-	5 123	-	-	-	5 123	-	(926)	-	-	(926)	4 197
<i>PIMMS</i>	61 711	8 991	-	(6 900)	-	63 803	(41 412)	(6 660)	6 015	-	(42 056)	21 746
<i>Tourism</i>	187 887	-	-	(5 780)	-	182 107	(112 268)	(26 197)	5 319	-	(133 147)	48 960
Total	36 055 889	1 259 606	477 110	(9 883 297)	(1 333 548)	26 575 760	(4 261 162)	(1 086 515)	537 883	397 913	(4 411 881)	22 163 879

APPENDIX D
ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

2013 Actual Income	2013 Budgeted Income	2013 Actual Expenditure	2013 Budgeted Expenditure	2013 Surplus/ (Deficit)	Description	Vote Number	2014 Actual Income	2014 Budgeted Income	2014 Actual Expenditure	2014 Budgeted Expenditure	2014 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
12 250	35 000	12 358 721	12 450 732	(12 346 471)	Executive and Council		-	-	12 655 533	12 657 896	(12 655 533)
-	-	2 437 241	2 450 270	(2 437 241)	Council Administration	1009	-	-	2 222 533	2 222 596	(2 222 533)
12 250	35 000	5 111 392	5 129 603	(5 099 142)	Council Services	1010	-	-	5 377 661	5 378 503	(5 377 661)
-	-	1 375 584	1 404 331	(1 375 584)	Internal Audit	1005	-	-	1 962 573	1 963 293	(1 962 573)
-	-	3 286 504	3 292 234	(3 286 504)	Municipal Manager	1001	-	-	2 808 417	2 808 788	(2 808 417)
-	-	148 001	174 294	(148 001)	Risk Management	1007	-	-	284 348	284 716	(284 348)
46 570 888	59 623 748	12 314 424	12 441 334	34 256 464	Budget and treasury office		49 102 594	53 827 544	14 087 019	14 101 395	35 015 575
45 320 888	58 373 748	1 728 293	1 727 789	43 592 595	Budget & Treasury Office	1021	47 852 594	52 577 544	2 721 631	2 723 442	45 130 963
-	-	3 594 210	3 608 146	(3 594 210)	Expenditure Unit	1023	-	-	3 407 301	3 409 141	(3 407 301)
1 250 000	1 250 000	4 119 153	4 181 785	(2 869 153)	Financial Services	1020	1 250 000	1 250 000	4 293 419	4 293 483	(3 043 419)
-	-	1 819 631	1 822 782	(1 819 631)	Supply Chain Management	1024	-	-	1 340 636	1 347 426	(1 340 636)
-	-	875 347	923 042	(875 347)	Asset Management Unit	1025	-	-	2 164 983	2 168 854	(2 164 983)
-	-	177 790	177 790	(177 790)	Vehicles	1003	-	-	159 049	159 049	(159 049)
(96 149)	410 957	16 322 914	17 437 604	(16 419 062)	Corporate services		67 058	25 000	15 724 578	15 737 266	(15 657 519)
-	-	4 475 714	4 486 196	(4 475 714)	Administration	1049	-	-	4 829 037	4 831 598	(4 829 037)
-	-	384 980	413 808	(384 980)	Communication & Liaison	1012	-	-	1 662 634	1 665 206	(1 662 634)
(96 149)	410 957	6 753 641	6 608 518	(6 849 790)	Human Resources	1046	67 058	25 000	4 660 516	4 660 579	(4 593 458)
-	-	2 031 808	2 033 807	(2 031 808)	Information Technology	1022	-	-	1 958 402	1 959 760	(1 958 402)
-	-	926 239	2 115 294	(926 239)	Property Services	1048	-	-	904 670	906 699	(904 670)
-	-	1 750 531	1 779 981	(1 750 531)	Security Services	1050	-	-	1 709 318	1 713 424	(1 709 318)
14 966 896	12 900 000	18 289 060	18 348 239	(3 322 164)	Municipal support		5 157 061	4 928 480	20 812 300	14 271 078	(15 655 239)
-	-	1 543 539	1 543 539	(1 543 539)	Community Service Ad	4250	-	-	6 641 544	-	(6 641 544)
5 279	-	-	-	5 279	Administration 2	7550	4 512	-	-	-	4 512
-	-	1 200 737	1 213 032	(1 200 737)	Municipal Support Services	1006	-	-	866 166	867 757	(866 166)
-	-	2 521 845	2 529 050	(2 521 845)	Environmental Health	1040	-	-	2 598 543	2 603 735	(2 598 543)
300 000	525 000	1 983 738	2 009 836	(1 683 738)	Housing Accreditation	1033	769 120	1 000 000	2 234 471	2 320 947	(1 465 351)
-	-	635 352	644 228	(635 352)	Tourism	1014	-	-	666 953	670 659	(666 953)
13 661 617	11 375 000	4 371 938	4 553 226	9 289 679	Engineering Services	1030	2 103 672	2 438 480	2 166 627	2 166 905	(62 956)
-	-	1 047 006	1 046 931	(1 047 006)	PMS	1008	-	-	815 675	815 848	(815 675)
-	-	238 965	257 241	(238 965)	LED	1015	-	-	512 742	512 914	(512 742)
1 000 000	1 000 000	2 577 755	2 612 018	(1 577 755)	PIMMS	1004	890 000	890 000	2 116 382	2 118 636	(1 226 382)
-	-	2 133 833	1 904 783	(2 133 833)	Disaster Mangement	1002	1 389 758	600 000	2 193 197	2 193 677	(803 439)
-	-	34 354	34 355	(34 354)	Roadworks Routine Ma	2060	-	-	-	-	-
61 453 886	72 969 705	59 285 119	60 677 909	2 168 767	Sub-Total		54 326 713	58 781 024	63 279 429	56 767 635	(8 952 716)
					Revenue Foregone						
61 453 886	72 969 705	59 285 119	60 677 909	2 168 767	Total		54 326 713	58 781 024	63 279 429	56 767 635	(8 952 716)

APPENDIX E(1)
ZF MGCAWU DISTRICT MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14										2012/13			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
REVENUE - STANDARD	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Governance and Administration:														
Executive and Council	-	-	-	-	-	-	-	-	0.00	0.00				12 250
Budget and Treasury Office	54 809 400	(981 856)	53 827 544	-	53 827 544	49 102 594	-	(4 724 950)	91.22	89.59				46 570 888
Corporate Services	25 000	-	25 000	-	25 000	71 570	-	46 570	286.28	286.28				(90 869)
Community and Public Safety:														
Public Safety	600 000	-	600 000	-	600 000	1 389 758	-	789 758	231.63	231.63				-
Housing	1 000 000	-	1 000 000	-	1 000 000	769 120	-	(230 880)	76.91	76.91				300 000
Economic and Environmental Services:														
Planning and Development	3 823 480	(495 000)	3 328 480	-	3 328 480	2 993 672	-	(334 808)	89.94	78.30				14 661 617
Total Revenue - Standard	60 257 880	(1 476 856)	58 781 024	-	58 781 024	54 326 713	-	(4 454 311)	92.42	90.16	-	-	-	61 453 886
EXPENDITURE - STANDARD														
Governance and Administration:														
Executive and Council	12 111 249	915 954	13 027 203	(369 307)	12 657 896	12 655 533	-	(2 363)	99.98	104.49				12 358 721
Budget and Treasury Office	9 421 332	(1 009 722)	8 411 610	2 014 456	10 426 066	10 422 351	-	(3 715)	99.96	110.63				9 441 656
Corporate Services	19 196 264	(454 959)	18 741 305	(174 377)	18 566 928	18 546 093	-	(20 835)	99.89	96.61				18 645 887
Community and Public Safety:														
Community and Social Services	-	-	-	-	-	6 641 544	-	6 641 544	0.00	0.00				1 543 539
Public Safety	4 114 841	245 728	4 360 569	(453 468)	3 907 101	3 902 515	-	(4 586)	99.88	94.84				3 884 363
Housing	2 182 511	80 709	2 263 220	57 727	2 320 947	2 234 471	-	(86 476)	96.27	102.38				1 983 738
Health	2 889 678	(160 599)	2 729 079	(125 344)	2 603 735	2 598 543	-	(5 192)	99.80	89.92				2 521 845
Economic and Environmental Services:														
Planning and Development	7 093 830	(563 700)	6 530 130	(915 827)	5 614 303	5 611 427	-	(2 876)	99.95	79.10				8 235 663
Road Transport	-	-	-	-	-	-	-	-	0.00	0.00				34 354
Other:														
Tourism	715 311	(10 792)	704 519	(33 860)	670 659	666 953	-	(3 706)	99.45	93.24				635 352
Total Expenditure - Standard	57 725 016	(957 381)	56 767 635	-	56 767 635	63 279 429	-	6 511 794	111.47	109.62	-	-	-	59 285 119
Surplus/(Deficit) for the year	2 532 864	(519 475)	2 013 389	(0)	2 013 389	(8 952 716)	-	(10 966 105)	(19)	(19)	-	-	-	2 168 767

APPENDIX E(2)
ZF MGCAWU DISTRICT MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14										2012/13			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
REVENUE BY VOTE	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Vote 1 - Executive and council	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	12 250
Vote 2 - Budget and treasury office	54 809 400	(981 856)	53 827 544	-	53 827 544	49 102 594	-	(4 724 950)	91.22	89.59	-	-	-	46 570 888
Vote 3 - Corporate services	25 000	-	25 000	-	25 000	67 058	-	42 058	268.23	268.23	-	-	-	(96 149)
Vote 4 - Municipal support	5 423 480	(495 000)	4 928 480	-	4 928 480	5 157 061	-	228 581	104.64	95.09	-	-	-	14 966 896
Total Revenue by Vote	60 257 880	(1 476 856)	58 781 024	-	58 781 024	54 326 713	-	(4 454 311)	92.42	90.16	-	-	-	61 453 886
EXPENDITURE BY VOTE														
Vote 1 - Executive and council	12 111 249	915 954	13 027 203	(369 307)	12 657 896	12 655 533	-	(2 363)	99.98	104.49	-	-	-	12 358 721
Vote 2 - Budget and treasury office	12 927 704	(1 240 654)	11 687 050	2 414 345	14 101 395	14 087 019	-	(14 376)	99.90	108.97	-	-	-	12 314 424
Vote 3 - Corporate services	15 938 438	(104 277)	15 834 161	(96 895)	15 737 266	15 724 578	-	(12 688)	99.92	98.66	-	-	-	16 322 914
Vote 4 - Municipal support	16 747 625	(528 404)	16 219 221	(1 948 143)	14 271 078	20 812 300	-	6 541 222	145.84	124.27	-	-	-	18 289 060
Total Expenditure by Vote	57 725 016	(957 381)	56 767 635	0	56 767 635	63 279 429	-	6 511 794	111.47	109.62	-	-	-	59 285 119
Surplus/(Deficit) for the year	2 532 864	(519 475)	2 013 389	(0)	2 013 389	(8 952 716)	-	(10 966 105)	0.00	0.00	-	-	-	2 168 767

APPENDIX E(3)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14										2012/13			
	Original Total	Budget	Final Adjustments	Virement	Final	Actual	Unauthorised	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised	Expenditure authorised	Balance to be	Restated Audited
	Budget	Adjustments	Budget		Budget	Outcome	Expenditure				Expenditure	i.t.o. Sect 32	Recovered	Outcome
Revenue by Source	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Rental of Facilities and Equipment	50 000	-	50 000	-	50 000	33 348	-	(16 652)	66.70	66.70	-	-	-	27 188
Interest Earned - External Investments	175 000	75 000	250 000	-	250 000	360 956	-	110 956	144.38	206.26	-	-	-	300 287
Interest Earned - Outstanding Debtors	1 751 400	-	1 751 400	-	1 751 400	219 337	-	(1 532 063)	12.52	12.52	-	-	-	5 279
Public Contributions	-	-	-	-	-	2 500 000	-	2 500 000	0.00	0.00	-	-	-	-
Transfers Recognised - Operational	50 723 000	-	50 723 000	-	50 723 000	50 251 446	-	(471 554)	99.07	99.07	-	-	-	58 890 504
Other Revenue	7 558 480	(1 551 856)	6 006 624	-	6 006 624	961 625	-	(5 044 999)	16.01	12.72	-	-	-	2 230 628
Total Revenue (excluding Capital)	60 257 880	(1 476 856)	58 781 024	-	58 781 024	54 326 713	-	(4 454 311)	92.42	90.16	-	-	-	61 453 886
Expenditure														
Employee Related Costs	36 866 552	(679 264)	36 187 288	(1 410 527)	34 776 761	35 280 139	-	503 378	101.45	95.70	-	-	-	34 459 010
Remuneration of Councillors	3 672 473	(529 148)	3 143 325	(6 546)	3 136 779	3 077 604	-	(59 175)	98.11	83.80	-	-	-	2 911 745
Debtor Impairment	-	-	-	860 909	860 909	900 909	-	40 000	105	0.00	-	-	-	-
Depreciation and Asset Impairment	1 153 747	(370 470)	783 277	603 108	1 386 385	1 539 712	-	153 327	111.06	133.45	-	-	-	1 515 548
Finance Charges	615 000	(385 000)	230 000	-	230 000	219 900	-	(10 100)	95.61	35.76	-	-	-	325 887
Other Materials	585 500	95 000	680 500	8 106	688 606	666 540	-	(22 066)	96.80	113.84	-	-	-	537 528
Contracted Services	150 000	(80 000)	70 000	15 000	85 000	85 125	-	125	100.15	56.75	-	-	-	1 157 420
Transfers and Grants	4 848 800	-	4 848 800	(947 985)	3 900 815	3 745 458	-	(155 357)	96.02	77.25	-	-	-	3 544 944
Other Expenditure	10 407 944	991 501	11 399 445	(139 111)	11 260 334	10 624 190	-	(636 144)	94.35	102.08	-	-	-	12 996 050
Loss on Disposal of PPE	(575 000)	-	(575 000)	1 017 046	442 046	7 139 852	-	6 697 806	1 615	0.00	-	-	-	1 836 986
Total Expenditure	57 725 016	(957 381)	56 767 635	0	56 767 635	63 279 429	-	6 511 794	111.47	109.62	-	-	-	59 285 119
Surplus/(Deficit)	2 532 864	(519 475)	2 013 389	(0)	2 013 389	(8 952 716)	-	(10 966 105)	-	0.00	-	-	-	2 168 767
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	0.00	-	-	-	-
Surplus/(Deficit) for the Year	2 532 864	(519 475)	2 013 389	-0	2 013 389	(8 952 716)	-	(10 966 105)	-	-	-	-	-	2 168 767
														-

APPENDIX E(4)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14										2012/13			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE														
Multi-year Expenditure														
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 2 - Budget & Treasury Office	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 4 - Municipal Support	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	6 164 434
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	6 164 434
Single-year Expenditure														
Vote 1 - Executive and Council	110 000	-	110 000	(16 000)	94 000	77 017	-	(16 983)	81.93	70.02	-	-	-	16 011
Vote 2 - Budget & Treasury Office	790 000	(22 605)	767 395	75 885	843 280	836 852	-	(6 429)	99.24	105.93	-	-	-	28 057
Vote 3 - Corporate Services	560 000	(479 375)	80 625	243 546	324 171	323 422	-	(749)	99.77	57.75	-	-	-	618 752
Vote 4 - Municipal Support	1 010 000	(4 875)	1 005 125	(303 431)	701 694	499 426	-	(202 268)	71.17	49.45	-	-	-	5 774
Total Capital Expenditure - Single-year	2 470 000	(506 855)	1 963 145	-	1 963 145	1 736 716	-	(226 429)	88.47	70.31	-	-	-	668 595
Total Capital Expenditure - Vote	2 470 000	(506 855)	1 963 145	-	1 963 145	1 736 716	-	(226 429)	88.47	70.31	-	-	-	6 833 029
CAPITAL EXPENDITURE - STANDARD														
Governance and Administration:														
Executive and council	110 000	-	110 000	(16 000)	94 000	77 017	-	(16 983)	81.93	70.02	-	-	-	16 011
Budget and treasury office	790 000	(22 605)	767 395	75 885	843 280	836 852	-	(6 429)	99.24	105.93	-	-	-	28 057
Corporate services	560 000	(479 375)	80 625	243 546	324 171	323 422	-	(749)	99.77	57.75	-	-	-	618 752
Other:														
Other	1 010 000	(4 875)	1 005 125	(303 431)	701 694	499 426	-	(202 268)	71.17	49.45	-	-	-	6 170 208
Total Capital Expenditure - Standard	2 470 000	(506 855)	1 963 145	-	1 963 145	1 736 716	-	(226 429)	88.47	70.31	-	-	-	6 833 029
FUNDED BY:														
National Government	1 470 000	(506 855)	963 145	-	963 145	736 716	-	(226 429)	76.49	50.12	-	-	-	-
Provincial Government	1 000 000	-	1 000 000	-	1 000 000	1 000 000	-	-	100.00	100.00	-	-	-	6 833 029
Transfers Recognised - Capital	2 470 000	(506 855)	1 963 145	-	1 963 145	1 736 716	-	(226 429)	88.47	70.31	-	-	-	6 833 029
Public Contributions	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Internally Generated Funds	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Capital Funding	2 470 000	(506 855)	1 963 145	-	1 963 145	1 736 716	-	(226 429)	88.47	70.31	-	-	-	6 833 029

APPENDIX E(5)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14								2012/13
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Other Income	9 359 880	(1 551 856)	7 808 024	7 808 024	3 494 973	(4 313 051)	44.76	37.34	2 257 816
Government - Operating	48 176 450	(3 988 450)	44 188 000	44 188 000	50 251 446	6 063 446	113.72	104.31	52 726 070
Government - Capital	11 986 550	(1 611 550)	10 375 000	10 375 000	-	(10 375 000)	0.00	0.00	6 164 434
Interest	175 000	75 000	250 000	250 000	580 294	330 294	232.12	331.60	305 567
Payments									
Suppliers and Employees	(49 142 323)	2 563 218	(46 579 105)	(47 527 090)	(49 741 181)	(2 214 091)	104.66	101.22	(47 583 660)
Finance Charges	-	-	-	-	(219 900)	(219 900)	0.00	0.00	(325 887)
Transfers and Grants	(4 848 800)	-	(4 848 800)	(3 900 815)	(3 745 458)	155 357	96.02	77.25	(3 544 944)
NET CASH FROM / (USED) OPERATING ACTIVITIES	15 706 757	(4 513 638)	11 193 119	11 193 119	620 174	(10 572 945)	5.54	3.95	9 999 395
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	575 000	-	575 000	575 000	488 000	(87 000)	84.87	84.87	224 938
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	7 218	7 218	0.00	0.00	24 260
Payments									
Capital Assets	(2 470 000)	506 855	(1 963 145)	(1 963 145)	(1 736 716)	226 429	0.00	0.00	(6 833 029)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(1 895 000)	506 855	(1 388 145)	(1 388 145)	(1 241 498)	146 647	0.00	0.00	(6 583 830)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised	-	-	-	-	-	-	0.00	0.00	-
Payments									
Loans repaid	(610 000)	385 000	(225 000)	(225 000)	(1 090 781)	(865 781)	0.00	0.00	(1 035 159)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(610 000)	385 000	(225 000)	(225 000)	(1 090 781)	(865 781)	0.00	0.00	(1 035 159)
NET INCREASE / (DECREASE) IN CASH HELD	(13 201 757)	3 621 783	(9 579 974)	(9 579 974)	1 712 106	11 292 080	0.00	0.00	(2 380 405)
Cash / Cash Equivalents at the Year begin:	2 509 873	(10 000 000)	(7 490 127)	(7 490 127)	4 923 755	12 413 882	0.00	196.18	2 543 350
Cash / Cash Equivalents at the Year end:	15 711 630	(13 621 783)	2 089 847	2 089 847	3 211 650	1 121 803	153.68	20.44	4 923 755

APPENDIX F

ZF MGCAWU DISTRICT MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2014

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below
CRDB Water pipeline RVM Mission	Department Rural Development	-	-	-	-	-	-	-	-	N/A	N/A	Yes
DWA Water pipeline RVM Mission	Department Water Affairs	-	-	-	-	-	-	-	-	N/A	N/A	Yes
Housing Accreditation DPLG National	COGHSTA - Provincial	416 665	249 999	249 999	-	21 127	81 101	251 719	495 732	N/A	N/A	Yes
Municipal Systems Improvement Grant	COGHSTA - National	890 000	-	-	-	56 601	170 311	138 841	524 247	N/A	N/A	Yes
Financial Management Grant	National Treasury	1 250 000	-	-	-	175 642	132 503	257 973	683 883	N/A	N/A	Yes
Municipal Infrastructure Grant	COGHSTA - National	-	-	-	-	-	-	-	-	N/A	N/A	Yes
Disaster Management - Near Project Subsidy	COGHSTA - Provincial	-	-	300 000	-	-	-	5 308	7 294	N/A	N/A	Yes
Disaster Management - Fire Equipment Grant	COGHSTA - Provincial	-	-	300 000	-	-	-	-	181 111	N/A	N/A	Yes
EPWP Incentive Grant	DPWRT - Provincial	400 000	300 000	300 000	-	1 061	284 893	374 299	339 747	N/A	N/A	Yes
DRD RVM Sewernetwork	Department Rural Development	-	-	1 006 004	-	131 580	-	584 989	-	N/A	N/A	Yes
Conditional Grant - Dept Housing (Houses)	COGHSTA - Provincial	-	-	-	-	-	-	-	-	N/A	N/A	Yes
Total Grants and Subsidies Received		2 956 665	549 999	2 156 003	-	386 011	668 808	1 613 129	2 232 013	-		
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?												

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2014

Incumbent	Fees for Services	Basic Salaries	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contributions to UIF, SDL, Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R		R	R	R	R	R	R	R
Mayor												
G. van Staden	-	513 749	-	-		164 077	-	-	8 235	-	-	686 061
Speaker												
Z.S. Mjila	-	410 999	-	-		131 262	-	-	6 652	-	-	548 913
Executive Committee												
B. Sinxeve	-	219 969	-	-		67 682	16 420	-	2 905	-	-	306 976
G.H. Mothibi	-	219 969	-	-		67 682	16 420	-	2 905	-	-	306 976
P. Wetbooi	-	210 891	-	-		64 656	16 420	-	2 790	-	-	294 757
D.L. de Wee	-	145 866	-	-		40 750	12 342	-	1 817	-	-	200 775
C. Tieties	-	170 646	-	-		49 223	16 420	-	2 180	-	-	238 468
P.M. Kotze	-	170 646	-	-		49 223	16 420	-	2 180	-	-	238 468
Other Councillors												
K. Dodds	-	14 036	-	-	-	4 530	-	-	172	-	-	18 737
M. Oliphant	-	9 707	-	-	-	3 133	-	-	119	-	-	12 959
M. Mabilo	-	9 707	-	-	-	3 133	-	-	119	-	-	12 959
S. Esau	-	11 280	-	-	-	3 760	-	-	214	-	-	15 254
P.M. Mgcera	-	49 050	-	-	-	7 433	-	-	877	-	-	57 360
A. de Bruin	-	12 709	-	-	12 015	4 236	2 039	-	362	-	-	31 362
J. Joseph	-	6 683	-	-	3 428	2 228	-	-	253	-	-	12 592
J. Assegaai	-	-	-	-	12 836	-	-	-	-	-	-	12 836
J. Thomas	-	-	-	-	13 525	-	-	-	-	-	-	13 525
S.P. May	-	-	-	-	15 239	-	-	-	-	-	-	15 239
E. Mnyaka	-	-	-	-	15 426	-	-	-	-	-	-	15 426
D.Z. Ntlhanganiso	-	-	-	-	14 485	-	-	-	-	-	-	14 485
B. Bock	-	-	-	-	10 553	-	-	-	-	-	-	10 553
A. Isaacs	-	-	-	-	12 920	-	-	-	-	-	-	12 920
Total for Councillors	-	2 175 907	-	-	110 427	663 008	96 481	-	31 781	-	-	3 077 604
Municipal Manager												
E. Ntoba	-	518 409	-	-	-	345 606	-	-	-	-	-	864 015
D. Ngxanga	-	340 000	-	147 209	-	131 825	-	-	-	-	-	619 034
Chief Financial Officer												
P. Beukes	-	510 360	-	102 072	-	274 524	-	15 600	50 116	-	-	952 672
Manager: Municipal Support												
L.G. Lategan	-	432 000	-	102 072	-	194 250	-	11 700	-	-	-	740 022
Manager: Corporate Services												
D. Van Zyl	-	400 815	30 000	-	-	266 944	1 760	15 600	114 267	21 214	-	850 600
Total for Senior Managers	-	2 201 584	30 000	351 353	-	1 213 149	1 760	42 900	164 382	21 214	-	4 026 343
Total for Management	-	4 377 491	30 000	351 353		1 876 157	98 241	42 900	196 163	21 214	-	7 103 946

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2013

Incumbent	Fees for Services	Basic Salaries	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contributions to UIF, Medical and	Acting Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R		R	R	R	R	R	R	R
Mayor												
G. van Staden	-	484 162	-	-	-	161 387	-	-	7 838	-	-	653 386
Speaker												
Z.S. Mjila	-	387 329	-	-	-	129 110	-	-	6 335	-	-	522 774
Executive Committee												
B. Sinxeve	-	195 379	-	-	-	66 572	16 734	-	2 654	-	-	281 339
G.H. Mothibi	-	195 379	-	-	-	66 572	16 734	-	2 654	-	-	281 339
P. Wetbooi	-	99 403	-	-	-	-	-	-	849	-	-	100 252
D.L. de Wee	-	82 130	-	-	-	22 559	-	-	857	-	-	105 546
Other Councillors												
K. Dodds	-	142 094	-	-	-	48 416	15 551	-	2 206	-	-	208 267
M. Oliphant	-	142 094	-	-	-	48 416	15 551	-	1 964	-	-	208 025
M. Mabilo	-	142 094	-	-	-	48 416	15 551	-	1 964	-	-	208 025
S. Esau	-	13 615	-	-	-	4 538	-	-	172	-	-	18 326
P.M. Mgcera	-	9 419	-	-	-	3 140	-	-	119	-	-	12 678
J. Assegaai	-	9 419	-	-	-	3 140	-	-	119	-	-	12 678
J. Thomas	-	-	-	-	11 673	-	-	-	-	-	-	11 673
S.P. May	-	-	-	-	8 610	-	-	-	-	-	-	8 610
E. Mnyaka	-	-	-	-	10 857	-	-	-	-	-	-	10 857
D.Z. Ntlhanganiso	-	-	-	-	9 347	-	-	-	-	-	-	9 347
B. Bock	-	-	-	-	4 494	-	-	-	-	-	-	4 494
A. Isaacs	-	-	-	-	11 867	-	-	-	-	-	-	11 867
A. de Bruin	-	-	-	-	16 282	-	-	-	-	-	-	16 282
J. Joseph	-	-	-	-	17 957	-	-	-	-	-	-	17 957
P.J. Brandt	-	-	-	-	3 221	-	-	-	-	-	-	-
Total for Councillors	-	2 044 610	-	-	94 308	650 683	95 672	-	29 693	-	-	2 911 745
Municipal Manager												
D Ngxanga	-	775 750	-	148 593	-	284 131	-	-	1 713	-	-	1 210 187
Chief Financial Officer												
P Beukes	-	230 000	60 000	111 450	-	415 908	-	15 600	76 348	-	-	909 306
Manager:Municipal Support												
LG Lategan	-	459 296	42 000	111 450	-	215 889	-	14 300	1 564	-	-	844 499
Total for Senior Managers	-	1 465 046	102 000	371 493	-	915 928	-	29 900	79 625	-	-	2 963 991
Total for Management	-	3 509 656	102 000	371 493		1 566 611	95 672	29 900	109 318	-	-	5 875 737

APPENDIX H

ZF MGCAWU DISTRICT MUNICIPALITY

RATIO ANALYSIS

30 June 2014

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS
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1. FINANCIAL POSITION

A. Asset Management/Utilisation

1	Capital Expenditure to Total Expenditure	10% - 20%		3%	District Municipalities have no capital projects as infrastructure is maintained by Local Municipalities.
			Total Operating Expenditure	63 279 429	
			Taxation Expense	-	
			Total Capital Expenditure	1 736 716	
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%		6%	The impairment was due to the reclassification of PPE to Assets-Held-For-Sale
			PPE, Investment Property and Intangible Impairment	1 354 106	
			PPE at carrying value	22 012 254	
			IP at carrying value	-	
			Intangible Assets at carrying value	151 625	
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%		3%	The majority of our PPE value is Land that has no maintenance on it.
			Total Repairs and Maintenance Expenditure	666 540	
			PPE at carrying value	22 012 254	
			Investment Property at Carrying value	-	

B. Debtors Management

ZFM has no consumer debtors

C. Liquidity Management

1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months		1 Month	Within norm
			Cash and cash equivalents	3 211 650	
			Unspent Conditional Grants	843 265	
			Overdraft	-	
			Short Term Investments	-	
			Total Annual Operational Expenditure	53 698 956	
2	Current Ratio	1.5 - 2:1		0.55	<p>- Taking the non-cash payable Leave accrual of R1 605 797 out of Current Liabilities, the ratio will be 0.7. The actual pay-out of leave during the year was R44 773 which differ from the total leave accrual.</p> <p>- R3 117 356 of Current liabilities are then funded by the 2014/15 equitable share. The 2014/15 deficit will then be funded by the 2015/16 Equitable Share. This comes from prior years and will decrease every year due to the implementation of an operational efficiency plan</p>
			Current Assets	5 792 057	
			Current Liabilities	10 515 210	

D. Liability Management

1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		2%	As district municipality we don't need to borrow money.
			Interest Paid	219 900	
			Redemption	900 876	
			Total Operating Expenditure	53 698 956	
			Taxation Expense	-	
2	Debt (Total Borrowings) / Revenue	45%		14%	As district municipality we don't need to borrow money.
			Total Debt	583 672	
			Total Operating Revenue	54 326 713	
			Operational Conditional Grants	50 251 446	

APPENDIX H

ZF MGCAWU DISTRICT MUNICIPALITY

RATIO ANALYSIS

30 June 2014

RATIO		NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS
E. Sustainability					
1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%	<div>Cash and cash Equivalents</div> <div>Bank Overdraft</div> <div>Short Term Investment</div> <div>Long Term Investment</div> <div>Unspent Grants</div> <div>Net Assets</div> <div>Share Premium</div> <div>Share Capital</div> <div>Revaluation Reserve</div> <div>Fair Value Adjustment Reserve</div> <div>Accumulated Surplus</div>	<div>69%</div> <div>3 211 650</div> <div>-</div> <div>-</div> <div>-</div> <div>843 265</div> <div>-</div> <div>-</div> <div>-</div> <div>-</div> <div>-</div> <div>-3 431 723</div>	Unspent Grants are cash-backed
2. FINANCIAL PERFORMANCE					
A. Efficiency					
1	Net Operating Surplus Margin	= or > 0%	<div>Total Operating Revenue</div> <div>Depreciation - Revalued Portion (Only populate if depreciation line item)</div> <div>Total Operating Expenditure</div> <div>Taxation Expense</div>	<div>-16%</div> <div>54 326 713</div> <div></div> <div>63 279 429</div> <div>-</div>	Refer to Note 49 (vii), Management's Going Concern Assessment
B. Distribution Losses					
ZFM has transferred the distribution of water and electricity to Local Municipalities					
C. Revenue Management					
ZFM has limited revenue as all services were transferred to local Municipalities					
D. Expenditure Management					
1	Creditors Payment Period (Trade Creditors)	30 days	<div>Trade Creditors - Creditors Control</div> <div>Contracted Services</div> <div>Repairs and Maintenance</div> <div>General expenses</div> <div>Bulk Purchases</div> <div>Capital Credit Purchases (Capital Credit Purchases refers to additions of Intangible Assets and Property, Plant and Equipment)</div>	<div>29 days</div> <div>1 047 685</div> <div>85 125</div> <div>666 540</div> <div>10 624 190</div> <div>-</div> <div>1 736 716</div>	Creditors are paid within 30 days
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%	<div>Irregular, Fruitless and Wasteful and Unauthorised Expenditure</div> <div>Total Operating Expenditure</div> <div>Taxation Expense</div>	<div>0%</div> <div>15 868</div> <div>63 279 429</div> <div>-</div>	<p>An Infrastructure Sewer Network was completed on behalf of Kai Garib Local Municipality and was transferred to Kai Garib on 30 September 2013 according to the Proclamation 10,14&15 dated 4 February 2012.</p> <p>ZFM cannot budget for this project as it is not an actual cash outflow when you transfer an asset to another municipality.</p>
3	Remuneration as % of Total Operating Expenditure	25% - 40%	<div>Employee/personnel related cost</div> <div>Councillors Remuneration</div> <div>Total Operating Expenditure</div> <div>Taxation Expense</div>	<div>61%</div> <div>35 280 139</div> <div>3 077 604</div> <div>63 279 429</div> <div>-</div>	The only function of the district is to render support to Local Municipalities, therefore ZFM need the personnel capacity to render these services.
4	Contracted Services % of Total Operating Expenditure	2% - 5%	<div>Contracted Services</div> <div>Total Operating Expenditure</div> <div>Taxation Expense</div>	<div>0%</div> <div>85 125</div> <div>63 279 429</div> <div>-</div>	ZFM has limited contracted services.

APPENDIX H **ZF MGCAWU DISTRICT MUNICIPALITY** **RATIO ANALYSIS**

30 June 2014

RATIO		NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS
E. Grant Dependency					
1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		320%	Total Capital Expenditures can be funded by internally generated funds and borrowings.
			Internally generated funds	4 075 267	
			Borrowings	1 473 760	
			Total Capital Expenditure	1 736 716	
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		235%	Total Capital Expenditures can be funded by internally generated funds.
			Internally generated funds	4 075 267	
			Total Capital Expenditure	1 736 716	
3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	None		3%	ZFM has limited Own Source Revenue as all the functions were transferred to Local Municipalities.
			Total Revenue	54 326 713	
			Government grant and subsidies	50 251 446	
			Public Contributions	2 500 000	
			Capital Grants	-	
3. BUDGET IMPLEMENTATION					
1	Capital Expenditure Budget Implementation Indicator	95% - 100%		88%	Cost containment measures were implemented without influencing service delivery which is support services.
			Actual Capital Expenditure	1 736 716	
			Budget Capital Expenditure	1 963 145	
2	Operating Expenditure Budget Implementation Indicator	95% - 100%		111%	An Infrastructure Sewer Network was completed on behalf of Kai Garib Local Municipality and was transferred in July 2013. It was not ZFM's project and was not budgeted for.
			Actual Operating Expenditure	63 279 429	
			Budget Operating Expenditure	56 767 635	
3	Operating Revenue Budget Implementation Indicator	95% - 100%		92%	ZFM budgeted for VAT Income of R1 500 000 which was received but against the VAT Receivable in the Financial Position. Then ZFM is within the norm.
			Actual Operating Revenue	54 326 713	
			Budget Operating Revenue	58 781 024	